New Faces in the Crowd

Economic and Social Impacts of Immigration

A Statement by the
Economic Council of Canada

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This Statement reflects the views of the Members of the Economic Council of Canada. A comment by Dian Cohen appears at the end of the Statement.

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Foreword

Canadians are proud of their heritage as a nation built on immigration. It is a heritage that conjures up images of hardy pioneers opening up the empty regions of a vast hinterland. But those images are far removed from the immigration of the 1990s – when new arrivals tend to settle in the largest cities and must find employment in a labour market where well-paid jobs demand relatively high levels of skill and education. Not only do the new arrivals come into immediate contact with the host population, but they must also compete for housing and jobs.

The objective is no longer to fill up empty spaces with people who can work the land. Rather, we must determine whether it is appropriate to turn to immigration to shore up population growth in Canada, now that birth rates have fallen below replacement levels and the Canadian population is aging. This question has many dimensions that will have a bearing on the performance and potential of Canadian society, and we have tried to explore all of them in the analytical work undertaken for this project.

Many Canadians see their country as a nation of immigrants, extending a welcoming hand to other newcomers, including refugees from political and religious persecution. But at the same time, others fear that immigrants from new sources – in Asia, Latin America, the Caribbean, and Africa – will change the country fundamentally, and could even lead to social and ethnic strife.

These hopes and these fears have not yet been investigated systematically in Canada, although other countries, such as Australia, have examined them in their own particular contexts. Thus when the Economic Council decided to undertake a research project on immigration, it was well aware that not all the relevant issues are susceptible to economic analysis. Indeed, we knew from the Australian study that the economic findings might be inconclusive. This has not proved to be the case. There are net economic benefits to immigration, but they are very small.

Because of these very small economic gains, we turned our attention to the other effects of immigration – the social, the political, and the humanitarian. The Council undertook special studies on the social aspects of immigration and reviewed some of its political and humanitarian implications. In so doing, we were led to distinguish between population increase resulting from immigration and that resulting from natural growth. *New Faces in the Crowd* should not, therefore, be seen as a study of the optimum population for Canada. This question may warrant analysis in its own right, but it is different from the issue addressed in this Statement.

After a brief introduction, the Statement summarizes our findings on the effects of immigration on the per-capita income of the host population and on unemployment. It then reviews the political effects, in terms of Canada's weight in the international community and of the size and distribution of population among the provinces and among the country's three largest metropolitan areas, under three different immigration scenarios. Turning to

the immigrants themselves, we examine how well they do in Canada and review the issues involved in the processing of refugees. The social implications of immigration are examined from two points of view: prejudice and tolerance, and the management of diversity. Our findings here make us optimistic about the acceptability of more immigration. We find a trend towards greater tolerance of visible minorities and general support for more immigration. We have also been able to document the economic success experienced by immigrants themselves.

These findings lead us to make 11 recommendations regarding the level of immigration over the next 25 years, the successful integration of immigrants into Canadian society, and the desirable distribution of immigrants across the three main categories – family class, refugees, and independents.

I would like to thank the members of the Advisory Committee to the Immigration Project, chaired by Chester Johnson. They gave generously of their time to assist the research team, which was ably led by Neil Swan and Ludwig Auer, Director and Deputy Director, respectively. The analysis underlying the Statement will be set out more fully in a forthcoming research report and in a series of monographs and working papers by members of the research team and the outside consultants.

Judith Maxwell
Chairman

New Faces in the Crowd

READER'S NOTE

The reader should note that various conventional symbols similar to those used by Statistics Canada have been used in the tables:

. . .	figures not appropriate or not applicable
– –	amount too small to be expressed
–	nil or zero.

Details may not add up to totals because of rounding.

Polishing the Mirror

During the 1980s, 1,250,000 people immigrated to Canada, many of them to the country's major cities. About one third of them were of European origin, and the remainder came from Asia, Africa, Latin America, and the Caribbean. Even as they settled into their new way of life, pressures were building up at the border, with more and more people seeking refugee status in Canada. At the same time, the implications of a declining birth rate were dawning on Canadians. At a level below the replacement rate, the population will start aging and even declining in a few decades. The cost of established health and other services will become even more burdensome as a result. This raises the prospect of increasing immigration to maintain the country's population growth.

These developments and prospects led the Economic Council to take a careful look at the implications of immigration. We were not surprised to encounter a wide range of perceptions among Canadians. Certainly, we found that everyone has an opinion.

Fundamentally, the debate revolves around the number and the type of immigrants that we should allow into this country. Those who favour immigration point out that Canada as we know it is built on immigration. They stress the perceived economic benefits created by immigrants; they also assume implicitly that population growth is desirable and that immigration is a good substitute for natural increase. As well, because immigration always holds a mirror up to our national self-image at a given time, such factors as multicultural enrichment, humanitarian values, and the building of a more diverse, powerful nation are also cited among the positive gains.

Other Canadians, holding the same mirror, see other images. We have heard many claims that immigrants take jobs away from Canadians or that they lower wages and working conditions. And Canadians are uneasy about the rising costs of taking in new immigrants, especially at a time of serious government deficits.

Clearly, not everyone welcomes diversity and multiculturalism, which increase as more immigrants come from nontraditional sources. Some Canadians worry particularly about the possible erosion of cherished traditions, such as community and voluntary work, not shared by some immigrants; about the latter's lack of familiarity with Canadian values, such as the separation of church and state, equality of the sexes, and respect for peace and good order; about the difficulty of maintaining the French language and culture in Quebec when immigrants so often adopt English; about problems in schools swamped by pupils learning English or French as a second language; and about an immigration-processing system that is seen by some as not entirely under control.

Frank, open discussion about immigration, especially of visible minorities, often seems inhibited by the fear of being accused of racism. But concern over immigration is very often rooted in a genuine fear that certain Canadian values are threatened. It is also true, however, that the expression of such fears is sometimes a cloak for racism.

Four Lessons

Canadians' perceptions about immigration have taught us four lessons. First, immigration is clearly not a simple substitute for natural increase as a method for raising Canada's population. In evaluating immigration, we must distinguish clearly between the impact on immigrants and that on the host community, while acknowledging that once they arrive, the newcomers themselves become part of the host community.

Second, the origin of immigrants is an issue in itself. Europe used to be the main source of immigrants to this country, but the newcomers are now more likely to be from Asia, Africa, the Caribbean, or Latin America. This means that immigration will change the nature of Canadian society and that increased immigration will accelerate that transformation.

Third, since immigrants congregate disproportionately in Toronto, Vancouver, and Montreal, population growth through immigration is unbalanced in geographic terms.

Fourth, a balanced evaluation of immigration must go beyond its economic effects. Thus, although we are an economic council, we paid close attention to the noneconomic effects of immigration because immigration policy combines many factors – economic, political, social, and humanitarian.

Historical Background

Immigrants and immigration are at the very core of our vision of ourselves as a historical entity and as a society. Excepting our aboriginal population, each of us is an immigrant or the descendant of immigrants who arrived sometime in the last 450 years. Early Canada was founded on immigration, and the belief persists that immigration remains essential for the country's prosperity and growth. Is that belief warranted?

Some immigration was obviously necessary to launch the process of population growth, but it is a mistake to think that Canada as we know it depended on immigration for its survival. By the time of Confederation, immigration had subsided substantially: the population pump was primed, and immigration subsequently played only a small part in demographic growth in eastern Canada. From the 1860s to the end of the 19th century, net immigration was negative, on average (Charts 1 and 2). Then there was a short-lived but large burst of immigration as the West was settled, between 1900 and 1914. Between the two world wars, however, total net immigration was once more very small, making hardly any contribution to population growth. It is only after World War II that immigration became simultaneously significant and persistent as a contributor to population growth. Even during this period, it was not nearly as important for total population growth as was natural increase. It is clear that for much of Canada's history, it has been natural increase, not immigration, that has driven the growth of population. This conclusion casts considerable doubt on the proposition that history proves that Canada needs immigration. Only a few periodic bursts of immigration were needed – not sustained inflows.

The same conclusion applies with respect to the role of immigration in the country's economic prosperity: a historical perspective gives little or no support to the view that Canada needed immigration to become a wealthy nation. In the 19th and early 20th centuries, the fastest growth in per-capita real incomes occurred at times when net immigration was zero or negative. In the 1950s and 1960s, real incomes were again growing rapidly, as was immigration, but in the 1980s similarly high levels of immigration coincided with low rates of per-capita income growth. Clearly, there is no sustained correlation between immigration and economic growth.

The only consistent economic link is with unemployment rates. Immigrants are more numerous when times are good than when they are bad, but it seems clear that it is the good times and bad times that cause immigration to fluctuate, not the other way around.

The Management of Immigration

From the 1880s right up until the 1950s and 1960s, Canada – like Australia and, to a lesser extent, the United States – had a racist immigration policy. Immigrants from the British Isles, the United States, and northwestern Europe were preferred, although eastern Europeans and Russians were encouraged to settle in western Canada in the late 19th and early 20th centuries. Asians and blacks were not welcome; indeed, at various times, they were systematically excluded. Restrictions were applied very strictly in periods of high unemployment. During the Great Depression, for example, British subjects and U.S. citizens who could support themselves were almost the only immigrants accepted.

The election of a new government in 1957 marked the change from a passive to an active immigration policy. The Diefenbaker government adopted the first in a long series of regulations aimed at using immigration to fill labour market gaps – i.e., to make up for shortages of certain categories of workers within the existing labour force. It wanted to attract to Canada a narrow range of highly skilled professionals and entrepreneurs with capital, rather than a broad range of low-skilled people, as in the past. It believed that the former would correspond better to the needs of an industrializing economy.

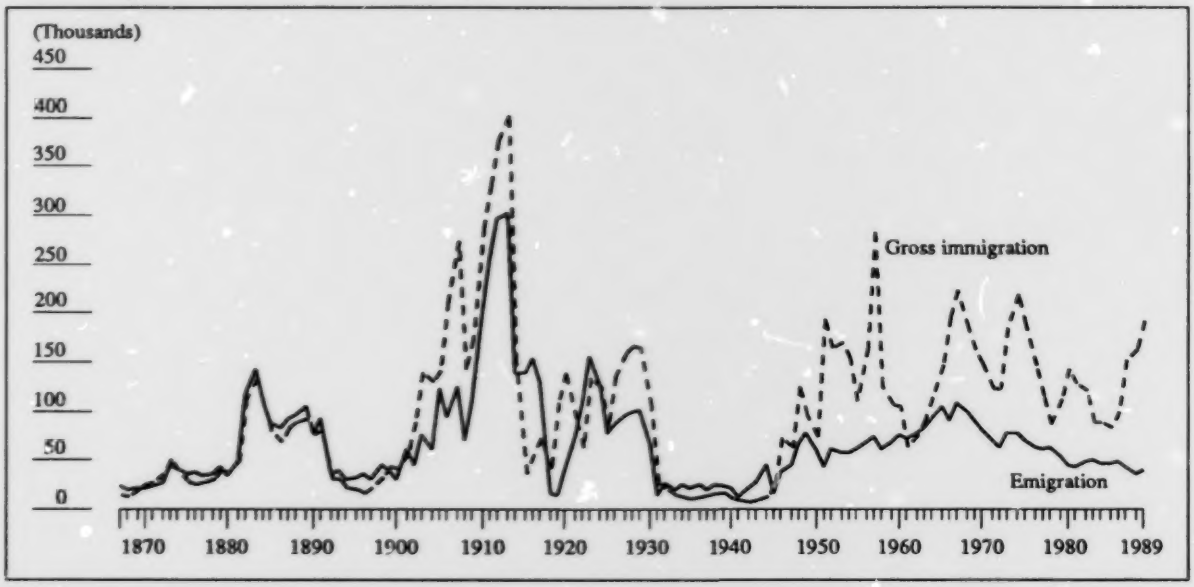
The change in direction was firmly established in 1967, when the Pearson government adopted a new immigrant-selection system based on allocating points that corresponded to desired attributes. An immigrant had to "earn" at least 50 out of the potential 100 points. The system had two key principles: 1) admission of people who fit the perceived needs of the Canadian labour market; and 2) universal application, regardless of ethnic origin, colour, or religion. The *de facto* division of immigrants into an "independent class" (admitted under the point system), a family class, and a refugee class dates from this period.

The 1960s were the turning point with respect to changes in the ethnic origins of immigrants to Canada. Following legislative changes adopted in 1962 and in 1967, the proportion of immigrants coming from the Caribbean, Asia, and Africa rose from less than 5 per cent in 1946-55 to about 70 per cent in 1977-90 (Chart 3).

A new Immigration Act was passed in the late 1970s, and further policy changes were introduced during the 1980s. Their main features included the formal adoption of the three immigrant categories (family class, refugees, and independents); an attempt to link immigration levels to demographic and labour market conditions; an improvement in the point system (Figure 1); and an attempt to match planned with expected arrivals. A new class – the "business" class, made up of investors, entrepreneurs, and self-employed people – was also introduced. Immigrants who enter Canada under this class have to satisfy the point system only partially. In particular, persons admitted as investors must have a personal net worth of $500,000 and commit $250,000 or more for a minimum of three years to

Chart 1

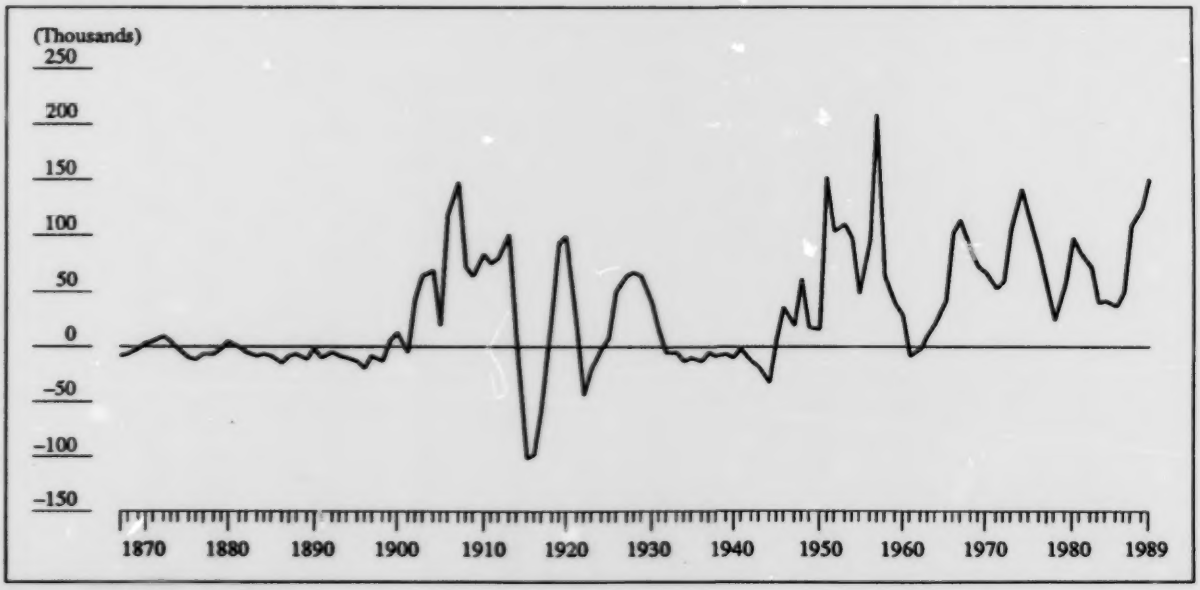
Gross Immigration and Emigration, Canada, 1867-1989



SOURCE Data from Statistics Canada.

Chart 2

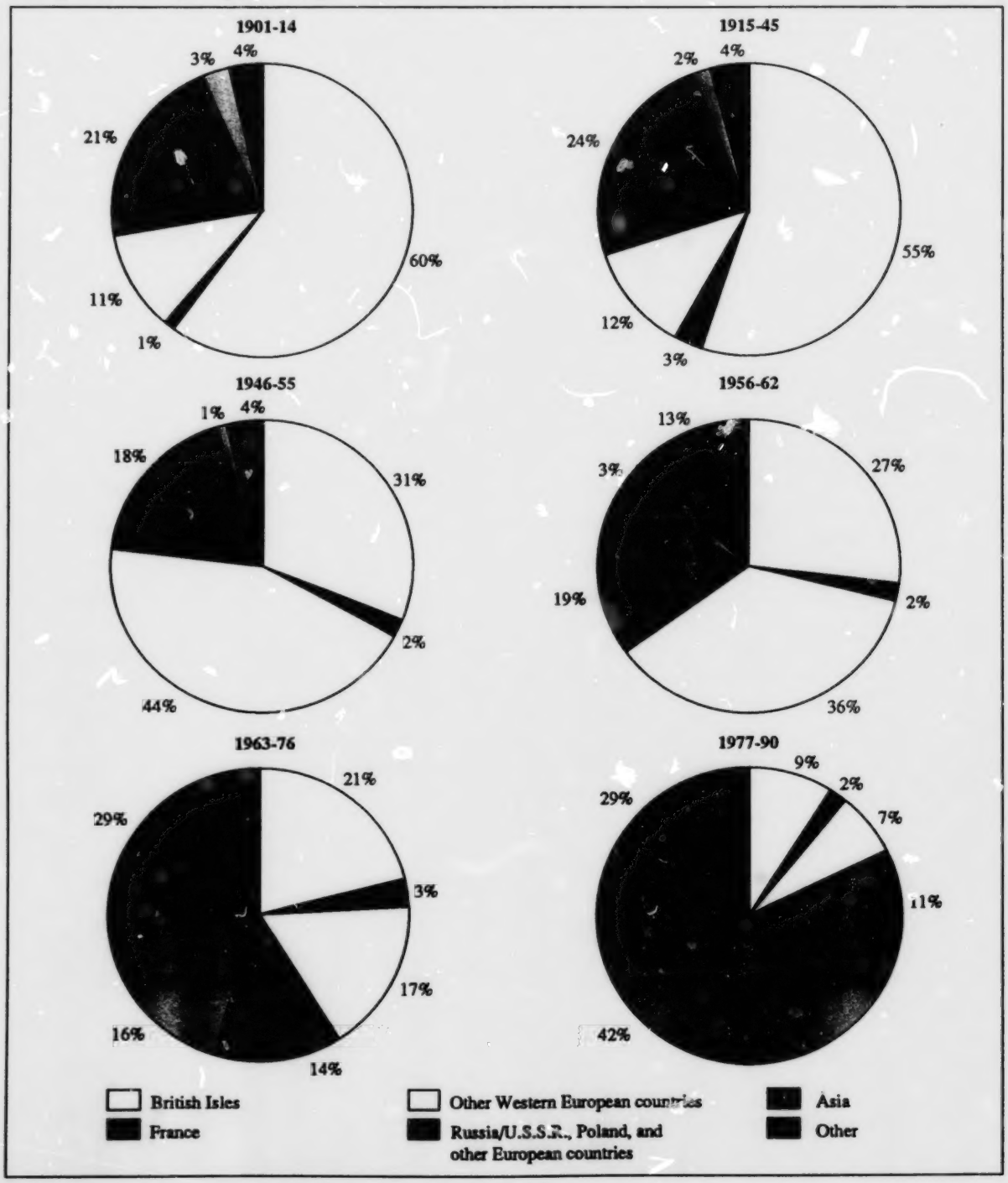
Net Immigration, Canada, 1867-1989



SOURCE Data from Statistics Canada.

Chart 3

Immigrant Flows, by Region of Origin, Canada, 1901-90



Source Estimates by the Economic Council, based on data from Statistics Canada.

an investment for business development and job creation. The tabling of a five-year immigration policy in October 1990 (discussed below) is the most recent development in this process.

Two new management issues surfaced in the 1970s – provincial interest in immigration policy, and determination of the immigrant status of visitors (legal or illegal) in Canada.

Figure 1

Selection Criteria for Assisted Relatives and Other Independent Immigrants

		Points	Remarks
Factors			
1	Education	12	One point for each year of primary and secondary education completed
2	Specific vocational preparation	15	
3	Experience	8	
4	Occupational demand	15	
5	Arranged employment or designated occupation	10	
6	Location	5	If person intends to proceed to an area designated by the Minister
7	Age	10	10 units if 18 to 35 years of age; 1 unit deducted for each year over 35 years
8	Knowledge of English and French	10	10 units if fluently bilingual, 5 units if fluent in either English or French
9	Personal suitability	10	
10	Bonus for family class or assisted relatives	5	
	Total	100	

Under the point selection system, certain selection criteria and processing priorities apply. Family members and refugees are admitted without having to qualify under the system, but independents and other applicants must qualify. The *selection criteria* are applied as shown above, with the following exceptions:

- would-be self-employed immigrants receive a credit of 10 points under No. 5;
- would-be entrepreneurs receive a credit of 25 points under Nos. 4 and 5;
- assisted-relative applicants receive a credit of 30 points under Nos. 5, 6, 8, and 10;
- retired persons are assessed on the basis of the intended location of residence, the presence of friends and relatives, their potential for adjusting to life in Canada, and their ability to support themselves without requiring social benefits from provincial or federal governments.

The *order of priority* for processing immigrant applications is as follows: 1) members of the family class, Convention refugees, and certain designated classes of persons; 2) entrepreneurs; 3) qualified persons willing to work in a designated occupation; 4) persons with prearranged employment; 5) retired or self-employed persons; 6) persons who are awarded more than 8 points under occupational demand; 7) persons awarded from 4 to 8 points under occupational demand; and 8) all other applicants.

Changes were announced in the 1990 Annual Report of the Minister of Employment and Immigration. Among those that affect *family immigration* are the following: 1) the current definition of the concept of "close" family is changed to include, in addition to spouses and fiancé(e)s, all dependent children, all parents and dependent adopted children; 2) all parents of permanent residents and Canadian citizens become eligible for sponsorship as family members; 3) to minimize the abuse of the program by "adoptions of convenience," an independent assessment of the adoption process is required.

To improve the selection of *skilled workers*, applicants with skills required to fill national or regional occupational shortages receive an extra 10 points. About 20 to 30 per cent of selected workers could be chosen from this designated occupational category. With few exceptions, all other occupations are "open," so that greater emphasis is being placed on education and language skills, which are viewed as important for the immigrant's integration into the labour market.

To prevent the build-up of *backlogs*, once there are enough immigrant applicants to meet the objectives of the immigration plan, all occupations will be restricted until the existing case load is cleared.

Immigration was a joint federal/provincial area of jurisdiction under the British North America Act, and this arrangement was carried over into the Constitution Act of 1982. As provinces began to adopt active industrial policies, some of them saw immigration as a potential policy lever. Quebec led the way and negotiated the Cullen-Couture Agreement with the federal government in 1978. This accord gave the provincial government an important role in the selection of immigrants; indeed, the government of Quebec has recently obtained greater control over immigration. By 1990, several other provinces (the exceptions being Ontario, British Columbia, and Manitoba) had immigration agreements with the federal government. These agreements are less wide-ranging than that between Quebec and Ottawa.

A much more difficult management issue is the determination of claims to refugee status made by people who reach Canada without landed-immigrant visas. The federal government created an Immigration Appeal Board in 1967 to deal with visitors who applied for landed-immigrant status from within Canada. The loophole in the 1967 law enabling them to do so was closed in 1973, because the backlog of cases was becoming unmanageable. This was a small foretaste of a much greater problem that developed in the 1980s, as more and more refugee claimants arrived in the country (see the section on "Refugees").

The Economic Effects of Immigration

While there are conflicting perceptions, positive and negative, about the economic consequences of immigration, it is generally agreed that efficiency, tax and dependency levels, and unemployment are the three main yardsticks that measure the economic impact of immigration on the host country.

Efficiency Gains

The exact dimensions of the efficiency gains are far from clear-cut. Commissions and economists around the world have searched for the link between immigration and economic efficiency. The connection is suggested by common sense, which tells us that the increase in the size of the domestic market should improve economies of scale for producers. Among other possible effects on efficiency, three others are often noted: 1) that trained immigrants may fill gaps in the labour market; 2) that the presence of an economically dynamic immigrant population will bring "spillover" effects to the host community; and 3) that there are unmeasured output effects, related to such factors as the variety of choice, pollution, and congestion, that come with a larger population.

Economies of Scale

Immigration is likely to make its single most important contribution to increased efficiency through economies of scale. Earlier studies on economic gains from immigration have been pessimistic, suggesting that it does not affect the per-capita income of the resident community favourably and may even cause it to decline. Strangely, however, most of these studies have ignored economies of scale in production, although this is clearly a crucial point.

According to the classic theory of population, there is an optimum population for each country. If the population is too large, it could be reduced to subsistence levels in food, shelter, and clothing; if it is too small, it may be unable to exploit certain efficiency gains associated with size. These gains include the advantages of large-scale operations and specialization made possible by a sizable domestic market. In manufacturing, for instance, large outputs are required to ensure economic efficiency – i.e., lower unit costs. Similarly, certain specialized firms or industries need a large domestic market to survive. The theory also argues that certain government services can be provided more cheaply on a per-capita basis if the population is large. Thus the theory suggests that if Canada's population were below the optimum, more immigration would help it to increase economic efficiency and raise living standards for both hosts and immigrants alike.

But how can we know whether domestic market size has an important bearing on economic efficiency? Testing this notion – rather than simply assuming it because it seems plausible – is a formidable task. And it is even more difficult to obtain quantitative estimates of the potential gains from increasing immigration.

Part of the difficulty lies in the fact that a country's living standards are not determined solely by its population size. We know that many other variables matter; two of them are particularly important: the physical and human capital per worker, and the state of the technology.

To deal with these complications, we use two simple but effective methods. The first, which we call the "international comparisons" approach, is based on the idea that the various factors influencing efficiency vary enormously from country to country. For example, capital endowments, the level of technology, access to markets, the proportion of productive

land, and, of course, the size of population, all differ among nations. Studying many countries enables us to disentangle how much influence each of these variables has on efficiency. It is then possible to estimate the extent to which efficiency in Canada might be raised if the domestic market size were expanded through more immigration.

The second method is simply a survey of the literature on economies of scale in Canada, industry by industry. If domestic market size does, in fact, affect efficiency, then it follows that individual industries – and not just the economy as a whole – must be subject to economies of scale. Assessing the importance of those scale economies in individual industries and then summing them – taking account of the industries' relative weight in the economy – enables us to estimate the potential gains in efficiency from a larger population.

International Comparisons — In applying the method based on international comparisons, we compiled statistics on some 68 countries from 1960 through 1984. First, we tested whether there were any obvious relationships between population size and economic efficiency, using gross domestic product (GDP) per capita in 1980 dollars as the measurement of the latter. As expected, we found no obvious link.

That dead end sent us back to the theory of economic efficiency. We put it to work in Table 1, by summarizing information that shows the links between efficiency and its two main determinants: capital investment per capita, and the level of technology. The table shows a clear connection between income and the other two variables. (Only two years are shown here; however, data were also compiled for 1960, 1970, 1975, and 1980.)

The data for 1984 show that GDP per capita ranged from a low of $681 (in 1980 U.S. dollars) – the average in the lowest 20 per cent of countries – to $10,044 in the highest 20 per cent. This increase is mirrored in the other two columns. The indicator of capital stock – capital investment per capita – varies from $88 to $2,493. The indicator of technology – telephones per 100 persons – is also closely linked with per-capita income. Precisely similar relationships occurred in 1965.

These data bear out the theory that national differences in technology and invested capital are important in explaining differences in the levels of gross domestic product per capita. Their influence must be allowed for before there is any hope of determining whether population size also has an influence. To achieve this, we use the statistical technique called regression analysis. This method enables us to estimate how strong a linkage exists, if any, between efficiency (as measured by GDP per capita) and the size of population, with proper allowance being made for the influence of other variables such as capital and technology.

Population Size and Economic Efficiency — The most interesting result to emerge from that exercise is that

Table 1

Gross Domestic Product, Capital, and Technology, 68 Countries, 1965 and 1984

	Quintile[1]	Gross domestic product per capita	Capital investment per capita	Indicator of technology[2]
		(1980 U.S. dollars)		
1965	1	541	68	--
	2	1,176	202	1
	3	1,855	425	4
	4	3,612	866	9
	5	6,363	1,763	28
1984	1	681	88	1
	2	1,858	302	3
	3	3,342	647	10
	4	6,637	1,560	41
	5	10,044	2,493	63

1 Each quintile represents 20 per cent of all the countries surveyed.
2 Number of telephones per 100 persons.
Source Estimates by the Economic Council, based on data from the United Nations.

population size does seem to influence economic efficiency, over a very wide range of postulated sizes. We estimated that the level of population at which income per person would be maximized in Canada is approximately 100 million inhabitants, with half of the maximum gains being achieved at a population of 40 million. To indicate the size of the gains, if Canada's population today were 100 million, the average income of Canadians would be roughly 7 per cent higher than it is at the current population of 27 million. Beyond 100 million, the economic benefits would slowly diminish.

This means that for every extra million persons above today's population of 27 million, GDP per capita would be higher by about 0.3 per cent. In concrete terms, this can be translated as follows: $71 annually per present resident, forever into the future; $1,894 per immigrant per annum, forever; or a capital sum of $76,000 per immigrant family of four. These are all gross amounts, since costs associated with bringing in immigrants have not been netted out. The error margin in the estimate is large, but of uncertain size.

One may conclude from this calculation that: 1) immigration probably benefits present residents of Canada in gross terms by helping to create scale efficiencies in the domestic market; 2) the benefits are rather small, when measured per member of the host community; and 3) gross benefits are fairly large, when measured per immigrant.

These findings are supported by our second testing method, which consists in using the existing literature to examine scale economies in individual industries.

Importance of Domestic Market Size — The central question here is: How much does the efficiency of each industry increase as the size of the domestic market grows? We assembled industry statistics in Table 2 and added across the industries to obtain an overall estimate of how a larger domestic market would affect national productive efficiency. This method is only approximate because the available information is so sparse, but it does provide a rough supplementary check on our previous findings from international data.

The table shows that over a large proportion of gross domestic product, scale economies are virtually zero. There are potentially significant scale economies only in the manufacturing industry and in the transport, communications, and utilities industries. Averaged over all industries in the economy, therefore, scale economies are very small. They imply, for an immigration-induced population increase of one million, a rise in national average productivity of 0.11 per cent. That is not too far from the average estimate that can be obtained from our international comparison (0.09 per cent), and it does increase our confidence in that result.

Filling Labour Market Gaps

As noted above, filling labour market gaps is another benefit commonly attributed to immigration. Shortages of workers in particular occupations appear from time to time. It is often said that immigration can enable employers to fill such labour market gaps faster or at less cost than if they relied on the domestic labour market.

While superficially plausible, the argument has two major flaws. One is that while employers and consumers will benefit from the uninterrupted flow of labour, goods, and

Table 2

Scale Economies Achievable from Increased Domestic Market Size, by Industry Group

	Proportion of gross domestic product, 1989	Scale economies[1]
	(Per cent)	
Agriculture, forestry, fishery, and mining	9	–
Construction	8	–
Manufacturing	19	1.03
Transport, communications, and public utilities	11	1.20
Finance, insurance and real estate	9	–
Wholesale and retail trade, business and personal private-sector services	38	–
Health, education, public administration, and defence		
Owner-occupied dwellings	6	–
All industries	100	1.03*

*Weighted average.

1 Measured as the sum of the exponents in the production function.

SOURCE Data from Statistics Canada, and estimates by the Economic Council.

services, the workers already in place will lose as a result of competition from immigrants. The second difficulty is that there is no reliable way to detect gaps in the labour market. The inability to forecast labour market requirements is a particularly weak area of economics – and a serious drawback to any policy based on the use of immigration to fill labour market gaps. Only on rare occasions, when a shortage is so dire that no one can miss it – as with the shortage of university professors in the 1960s and 1970s – has this policy succeeded.

Spillovers

The individual characteristics of immigrants have no bearing on the potential for increasing efficiency through scale economies. What is important is simply their number. It is often argued, however, that immigrants benefit the economy because they are different from native-born residents – more energetic, productive, hard-working, smart-working. It is said that they bring in new approaches and ideas, and that we all benefit. Economic theory tells us that if immigrants do work harder, are better entrepreneurs, and so on, they will certainly earn more themselves; however, there is very little reason to expect that the host population will also earn more as a result.

We know of no theoretical or analytical research that examines potential spillover effects from immigrants to hosts in areas such as their work habits, propensity to innovate, and drive to achieve. However, we found indirect evidence suggesting that there are no significant spillover effects. If immigrants contribute more than they are paid – and this is the only empirical meaning that can be attached to spillover – this is logically the same as saying that they are paid less than they contribute or than they are worth. This discrepancy can be measured with the help of economic models that have been used to measure discrimination against women and blacks. However, such tests reveal no evidence that immigrants are permanently paid less than they are worth.

Unmeasured Economic Impacts

Population growth tends to enhance consumer choices. A small town that becomes a bigger town offers a greater variety of certain goods and services, such as cinemas and restaurants. Population growth through immigration will create similar effects, though they may be less widespread than those resulting from population increase caused by a higher birth rate, given the locational choices typically made by immigrants. In this respect (as in some others), the effects of population growth through immigration are different from those which occur through natural increase.

At the national level, too, a larger population can broaden choices, though the effects are probably more limited. A large nation may be able to afford a world-class art gallery, for example, or the benefits that come with having a particle accelerator.

These effects are beneficial, but they are not captured in national income statistics. They do not appear, therefore, in our estimates of scale economies. Conversely, a larger population creates certain adverse effects, notably greater pollution and congestion, which are also not captured.

It is not known how large a correction should be made to our estimates of scale gains to take effects like these into account, or even whether that correction should be positive or negative. We speculate that such a correction would mean a small change to an already small result, but it is a reservation to our analysis that should be kept in mind.

Objections

Four objections might be made to our treatment of the effects of immigration on economic efficiency in the host community.

Human Capital — The proposition here is that immigrants come already educated, which saves Canadian taxpayers the burden of educating them. This means a saving for the economy, and a "brain gain" that adds to our productivity and efficiency. However, the main drawback of this argument is that while the hosts do not pay for immigrants' education, neither do they receive benefits from it. In fact, immigrants retain title to their human capital, and to the earnings that it brings. It is true that if immigrants pay more taxes, over their lifetime in Canada, than they consume in services, hosts will gain. This is a distributional rather than an efficiency matter, and it is covered below in our analysis of the tax and dependency effects of immigration.

Financial Capital — Many of the immigrants who come to Canada bring capital with them. It is often argued that this capital is beneficial to this country, especially if the amount is large, as in the case of investor-class immigrants. However, the gains are far from obvious. All immigrants, whether in the investor class or not, retain title to their investment and to its yield. The hosts get no direct benefits. In effect, a statement of the type: "immigrants last year brought in billions of dollars of capital to Canada," ignores

this crucial distinction between hosts and newcomers. Once that distinction is made, the main argument for believing that immigrant capital "is beneficial to Canada" falls apart.

Although there are no direct benefits to the hosts, two lines of argument contend that they receive indirect benefits. First, the overall capital/labour ratio may be changed by immigration – upward if immigrants own more capital than hosts, on average; downward, if they have less capital than hosts. Since the efficiency of labour is affected by the capital/labour ratio, there is a potential here for raising or lowering its efficiency. However, the argument supposes that the international market for capital is not efficient enough for Canada to reach the optimal capital/labour ratio, regardless of the part of the capital stock that is immigrant-owned. As globalization grows, that assumption seems dubious – and increasingly so as time passes. Nonetheless, tests were conducted to determine whether immigration-induced changes in the overall capital/labour ratio might cause efficiency effects large enough to modify our earlier conclusions regarding scale economies. These tests were necessarily approximate, because of limitations of data and research resources. They nonetheless suggest that no important effects are being missed in our estimates.

The second variant of the capital argument has to do with the capital brought to Canada by those immigrants who qualify for admission in the investor class proper. That such immigrants bring in more capital than others – often a quarter of a million dollars or more – does not, of course, affect the point that they retain ownership to both the principal and the yield on it, with hosts obtaining no direct benefit. An indirect benefit may be traceable, however, to the fact that the actual projects in which the investment is made are subject to some degree of influence by Canadian immigration officials. Even in a well-functioning domestic and world capital market, there will always be imperfections, so that some worthwhile projects will fail to find funding. While past Council research has shown no generalized capital market gaps in Canada, pockets of shortage will always exist somewhere – in small communities or in highly technical, high-risk ventures, for example. The prospect of the availability of a visa to Canada may make the identification and funding of such projects attractive to potential immigrant investors. Provided that immigration officials can check in each case that a genuine market gap is being filled and that noncompetitive capital is not being allowed to compete with market-financed projects, the result will be beneficial investment that would otherwise not occur. In effect, a "horse trade" is being made: the immigrant accepts a rate of return that, because of the cost of searching for suitable projects and of the need to allow for the *ex ante* risk premium, is lower than that acceptable to the capital market in general, in exchange for being admitted to Canada. The host community grants admission and, in return, obtains financing for projects that, without the implicit subsidy being provided by the immigrant, would not be feasible. That, in turn, increases labour demand and output, and thus enhances the real incomes of hosts.

How big a difference might this make to our conclusions on the efficiency effects of immigration? For the economy as a whole, it seems likely that the potential gains from the investor immigrant class are very small. The actual gains are even smaller, given the practical difficulties that immigration officials face in verifying that only projects meeting the appropriate criteria lead to the granting of immigrant status.

That said, we were unable, with the resources at our disposal, to carry out a rigorous check of how important this potential gain from investor-class immigrants might be. This point remains unfinished business in terms of assessing the total effect of immigration on efficiency.

Entrepreneurship — Immigrants can enter Canada if they promise to establish a business of their own. This is viewed as an unmitigated boon, since it is thought to create new jobs and to enhance efficiency. There are problems, however, with both rationales. The job-creation rationale is discussed later and found wanting. As for the second rationale, there is good evidence of a plentiful supply of resident entrepreneurs. Thus there is no shortage that must be filled through immigration. Logic, theory, and evidence all suggest that there would neither be fewer businesses nor a lower rate of business growth in the absence of immigrant entrepreneurs.

Summary — We conclude that immigration does enhance economic efficiency in Canada. The gain, which is achieved by exploiting the additional scale economies created by a larger population, is probably a very small one. Nonetheless, that is a more positive result than those obtained by the great majority of previous studies.

Tax and Dependency Effects

There is an apprehension today of a demographic "San Andreas fault" running beneath the economies of the West. The baby boom has become the baby bust, and the industrialized economies must one day face the problem of an aging population more dependent on social services, without sufficient workers to finance those needs.

Simply put, older people and children consume services in per-capita dollar amounts greater than they pay in taxes. The reverse applies to working-age people. We know that Canada's population is aging. The question now is: Will Canada experience a series of gentle demographic tremors or a sudden shock? How will that affect the dependency ratio and tax burden of Canadians? And, particularly relevant in the context of this Statement, could the threatened increases in the tax burden be eased if more immigrants joined the working-age population? Or would the costs attendant to bringing in more immigrants neutralize any extra benefits?

Our analysis confirms that the aging of the population will cause dependency costs to rise. Health and social security costs will increase, while education costs will decrease. On balance, costs will go up. A higher rate of immigration, it appears, would cushion the demographic fiscal blow, but only slightly. Moreover, the small future "saving" on social expenditures that would come with a higher rate of immigration would be reduced by the costs of social assistance and language training that would have to be provided for the extra immigrants.

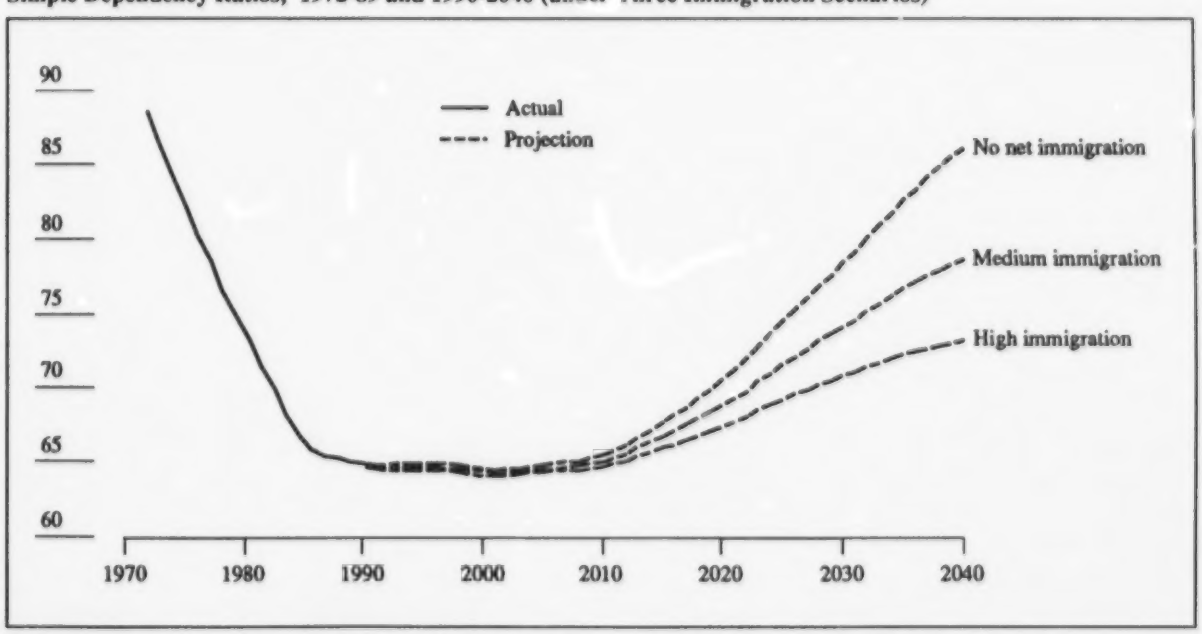
Methodology

Demographers use the concept of dependency ratio to show the number of dependents that must be "carried" by each member of the working-age population. The present dependency ratio in Canada is 65 per cent, which means that 100 working people carry 65 persons of the dependent younger and older age groups (Chart 4). Whatever the rates of immigration or population increase, the dependency ratio will not change significantly over the next two decades, after which the baby boomers of the 1950s and early 1960s will create a wave of pensioners. Dependency ratios will then rise but will remain well below previously observed historical levels.

The dependency ratios of the past, however, cannot be compared with those of today, because the ratio of young to old has changed significantly. Since the per-person cost in taxes of providing for old people is much higher than that of providing for the young, simple dependency ratios are not a good guide to what might be viewed as a socially tolerable size of the dependency burden some 25 to 50 years from now. To sidestep that distortion, we measure the

Chart 4

Simple Dependency Ratios,[1] 1972-89 and 1990-2040 (under Three Immigration Scenarios)[2]



1 Expressed as the number of young (aged 0 to 19) and elderly (aged 65 and over) per 100 persons aged from 20 to 64.
2 Medium immigration is set at 0.4 per cent of the population per year; the high-immigration assumption is 0.8 per cent.
Source Estimates by the Economic Council, based on data from Statistics Canada.

dependency burden directly – i.e., by the extra taxes per capita that will become increasingly necessary as the population ages.

In analysing the impact of the aging of the population on the tax burden, we focus on primarily public expenditures devoted to health, education, and social services (Chart 5). These are large spending areas, where the amounts needed vary with the age distribution of the population: much of the health-care spending goes to the youngest and oldest age groups; most educational expenditures go to young people; and social-service funds are spread over selected younger and older age groups. As a consequence, these three areas are, by far, the most important for estimating the effect of aging in changing the dependency burden. Because immigration can change the age distribution, the amount of taxes per capita needed to pay for these services – their "tax burden" – is sensitive to immigration. This is much less true of other spending areas, such as defence, industrial subsidies, and so on.

Personal-income-tax revenues are also sensitive to the age distribution, and we allow for them as well. The income taxes paid by middle-aged income earners, those aged 35 to 50, are much higher than those paid by the younger and older age groups.

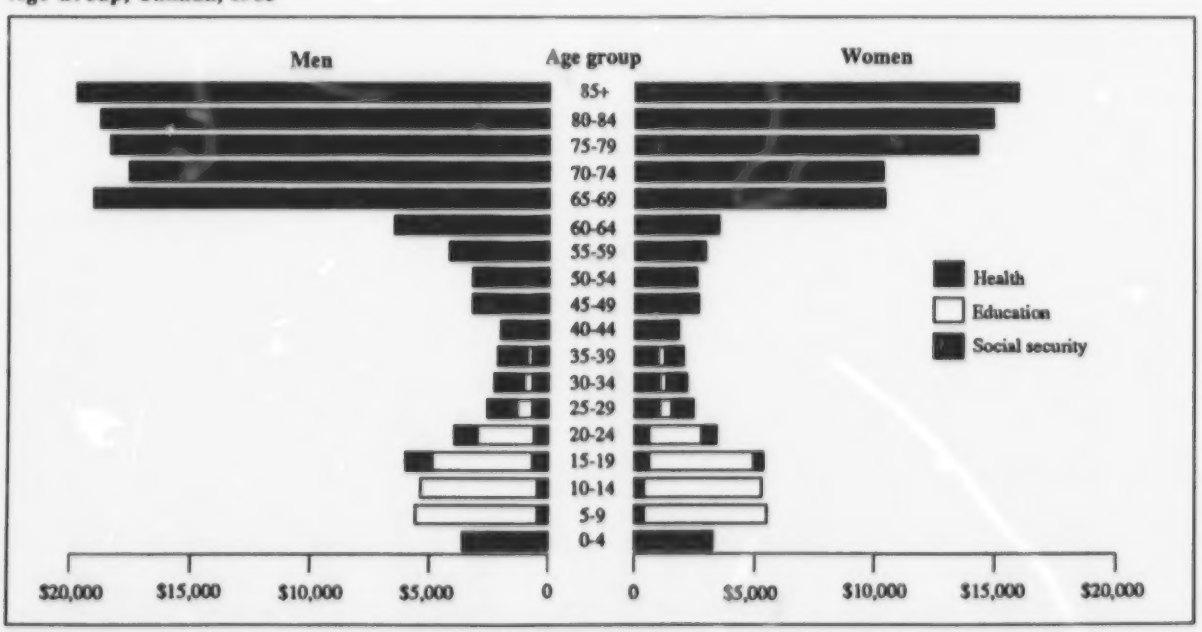
To find out how large an effect aging might have on the tax burden and what effect more immigration might have in moderating that increase, we construct two hypothetical scenarios. In one, immigration is set at 0.4 per cent of the population, a rate that is fairly close to the average postwar experience. In the other scenario, immigration is postulated to be twice as large – 0.8 per cent.

In both cases, we ask what would happen if total expenditures on health, education, and social security were held at their recent levels on a per-capita basis, *within each age/sex group*. Any future rise in total expenditures would then be linked solely to future changes in the age distribution. The amount of this change interests us. It represents the extra expenditures "burden" imposed by changes in the age distribution. Since expenditures are financed by taxes, it also represents the extra tax burden.

Each scenario will show a change in the tax burden, but the amount of the change is expected to be different between them. That difference is a good measure of any

Chart 5

Expenditures per Capita on Health, Education, and Social Security, by Gender and Age Group, Canada, 1985



Source Estimates by the Economic Council, based on data from Statistics Canada, Health and Welfare Canada, and Revenue Canada.

decrease in the tax burden to be expected from increasing immigration.

The procedure is specifically designed to isolate the effects of an older age distribution on total expenditures, and thus to identify the effect of immigration in changing that "aging" effect. We know that total spending per capita on health, education, and social security will change for many other reasons than aging – e.g., developments in medical technology, changes in participation in university education, policy shifts, and so forth. Our methodology explicitly abstracts from these other changes.

Results

Table 3 shows that, as expected, the combined per-capita expenditures on health, education, and social services will increase as a result of population aging. This is true by the year 2015, and it is more evident by 2040.

Immigration makes a difference, but not a big one if our horizon is as close as 2015. Doubling the rate of net immigration from 0.4 per cent to 0.8 per cent lowers the real per-capita cost by $109. This is about one third of one percentage point of a reasonable estimate of per-capita real income in that year. In addition, there is a small effect from a change in personal-income-tax revenues resulting from the changing age structure; it makes the saving a little lower – $86 instead of $109.

How do these savings compare to the efficiency gains from scale identified above? In the year 2015, they are only about one third as large. Gains from scale economies in that year, attributable to raising immigration from 0.4 per cent to 0.8 per cent between now and then, would be just over 1 percentage point of income at that time.

The time pattern of the gains differs, however, between scale effects and dependency effects. Comparing the two types of gains accurately over the future as a whole requires a complex exercise with discount rates (see our forthcoming research report). Preliminary estimates suggest that the overall value of gains from dependency effects is roughly one third that of the gains from scale economies.

If we add gains from scale economies and a lowered dependency burden we obtain a total gain in per-capita disposable income of hosts, by the year 2015, which will be about 1.4 percentage points of income at that time (Chart 6). Recall that this is from roughly doubling immigration from its average levels in the last 25 years. That is not much. Nor would the gain be perceptibly increased, in our judgment, if we were able to allow for all possible ways, other than scale and dependency effects, in which immigration might conceivably influence the per-capita income of the hosts. Moreover, the scope for scale gains through domestic market expansion will be reduced as the maturing of the North American free-trade area widens the export market over the next decade. The analysis is symmetrical, of course: it shows that the per-capita income losses to hosts from eliminating immigration altogether would be small as well – about 1.3 percentage points of per-capita income by the year 2015. While our results are more favourable to higher immigration than those from past work, which has usually concluded that there are slight negative effects, they are far less favourable than most people tend to believe.

Two further points should be made. First, if immigration were increased to obtain these gains, one should logically net out the costs of the extra immigration itself. Federal and provincial governments provide immigrants with settlement assistance, including transportation loans, language training, and other programs. In 1985, these expenditures amounted to $432 million – or about $17 per capita, when divided among Canada's population. If the 1985 pattern and level of this spending is maintained in the future, these costs will rise with the number of immigrants. Allowing for this reduces the gains slightly, by $20 per capita per annum in 2015.

Table 3

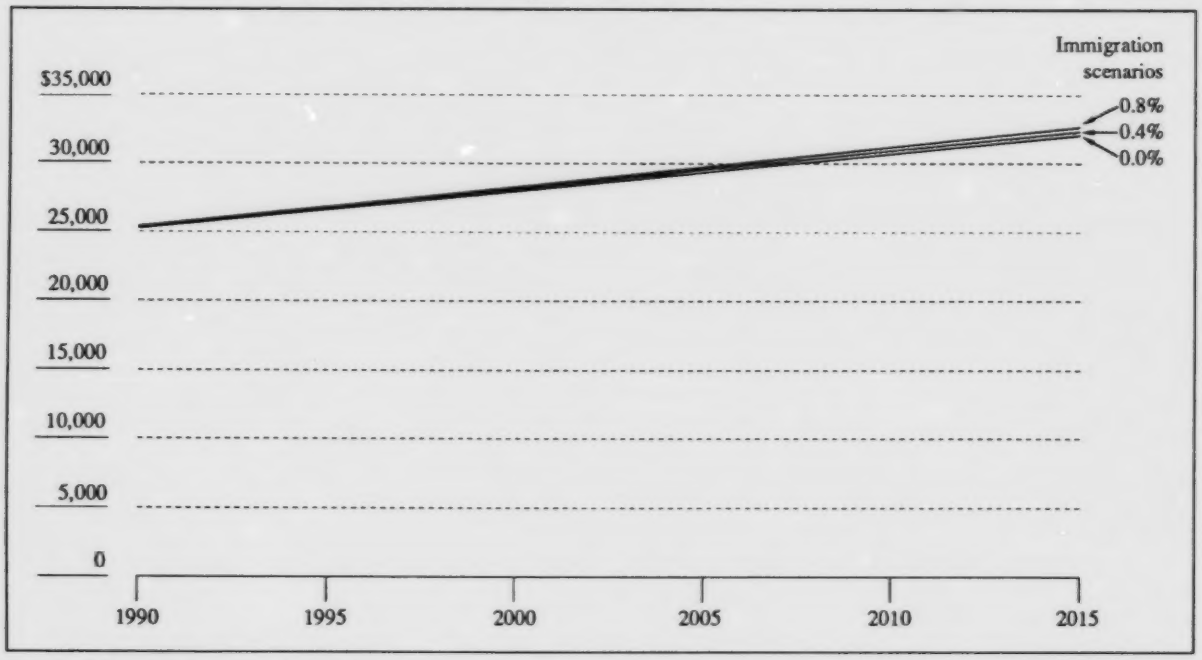
Effects of Medium and High Immigration on Age-Caused Changes in Health, Education, and Income Security Expenditures, 1989, 2015, and 2040

	Rate of net immigration		
	Medium (0.4 per cent of population)	High (0.8 per cent of population)	Difference
	(Millions)		
Population			
1989	26.2	26.2	–
2015	31.9	35.9	4.0
2040	34.7	44.1	9.4
	(1989 dollars)		
Increase in per-capita expenditures			
2015	556	447	109
2040	1,284	884	400

Source Estimates by the Economic Council.

Chart 6

Income per Capita, 1990-2015 (under Three Immigration Scenarios)



SOURCE Estimates by the Economic Council.

Second, in estimating the savings from reduced dependency, we did not consider any scenario more complex than simple permanent increases in immigration. Different scenarios – for example, raising immigration sharply during the first decade of the 21st century, then reducing it sharply again – might offer greater savings.

Employment and Unemployment

A criticism often levelled at immigration is that it creates unemployment among existing residents – i.e., that "it takes jobs from Canadians." It is very important, in considering future immigration, to know whether there is, in fact, a connection between unemployment and immigration.

Our work leads us to the conclusion that there is no connection: immigration does not create unemployment. Despite that finding, the opposite, more pessimistic, notion is still widely held. Employment and Immigration Canada has repeatedly investigated this question, indicating perpetual concern among policymakers. Until 1990, immigration targets were cut back during recessionary periods, implying that the government believed that immigration would increase unemployment at such times.

We used several tests to see whether immigration causes unemployment, from the very simple to the very complex.

International Comparison

The simplest tests were based on two facts – that immigration makes a country's population grow, and that it makes it grow faster. But do countries with large populations have higher unemployment rates? And do countries with faster-growing populations have higher unemployment rates?

We focused on countries that employ methods for measuring unemployment that are comparable with those utilized in Canada, using the most recent data available at the time of writing. Our findings strongly suggest that there is *no* link between population size and the unemployment rate. Furthermore, we found no relationship between the rapid growth of the labour force and unemployment. Thus, although immigration increases the rate of growth of a country's labour force, it does not seem to raise its rate of unemployment.

Time-Series Data in Canada

We know that immigration has varied through time in Canada. Can a correlation be established between variations in immigration and unemployment rates? There are two difficulties in answering that question. First, unemployment rates vary for many reasons; sorting out the hypothetical impact of immigration alone would be very difficult. Second, a reverse influence exists, in that high unemployment deters many would-be immigrants; and high immigration is associated with low unemployment in the observed data. It would therefore appear that higher immigration actually causes less unemployment, if one just looks at the raw numbers. This apparent paradox must be corrected for.

We tested with a technique that took into account the latter difficulty – that immigrants come in greater numbers when the unemployment rate falls. When that correction is done, it turns out that immigration does not decrease unemployment, but neither does it increase it.

This particular test is not capable, however, of properly allowing for the other difficulty – i.e., that unemployment rates vary for so many reasons. To deal with that, we need other techniques. One is to look at what the big economic models say on the matter.

The Big Models

The economic literature is studded with examples of large econometric models that have been used to test the link between increased immigration and unemployment. They do, in theory, allow for all of the factors that influence unemployment. Almost all of these tests have supported the notion that immigration increases unemployment. These economic simulations have shown that one extra person is unemployed for every two or three persons who joined the labour force through immigration.

These findings are in sharp contrast to the previous evidence presented, but this is not surprising. These are precisely the results to be expected from models based on the so-called "Keynesian aggregate-demand or neoclassical-synthesis theory of unemployment." In our view, however, such results are unreliable in this application.

Applying Two Major Theories of Unemployment

To clarify the link with immigration, it would be convenient to have one good general economic theory of unemployment. However, no such all-embracing theory exists. Dealing with this difficulty requires rather extensive discussion.

Theories on the causes of unemployment are at about the same stage of development in economics as are theories of the causes of cancer in medicine – incomplete and controversial. Nevertheless, two main competing theories can be distinguished; each has its uses, and each has its flaws. We shall describe them, explain why one theory is more suitable to our task, and use it as our fourth test of whether immigration affects unemployment.

A good theory would be one that explained all the facts about the behaviour of unemployment. That would be a very tall order, but three particular facts strike us as especially important to understand.

First, a curious characteristic of unemployment is that it does not continue to grow but remains relatively stable within certain limits. Why do economies so often generate enough jobs to absorb most of the new workers produced by population growth? This has occurred regularly at regional, national, and international levels, despite rapid labour force growth in many countries and regions. Where do all the jobs come from? This is a conundrum, which an adequate theory of unemployment surely must explain. It is the first important fact.

The second fact is the business cycle. Why does unemployment come in cycles, such as those observed irregularly but repeatedly throughout the last 200 years?

Third, why do variations in unemployment occur across space as well as across time? For example, why are unemployment rates consistently lower than average in Japan and Sweden and consistently higher than average in Italy and the United Kingdom?

Many other facts about unemployment matter, of course, but these three – the limits on its growth, its cyclical nature, and its uneven level internationally – must certainly be explained by any serviceable theory of unemployment.

Neoclassical-Synthesis Theory — The first theory examined here has been a cornerstone of economic policymaking since the end of the Second World War. Known sometimes as Keynesian theory, sometimes as the neoclassical-synthesis (NCS) theory, it was accepted as dogma for nearly 30 years. Since the 1970s, economists have found this theory increasingly unsatisfactory, but no broadly acceptable alternative has yet been developed.

NCS theory says that the number of jobs in an economy is determined by the need for workers, which in turn

depends on the demand for goods and services in the economy – i.e., on "aggregate demand." This leads to a plausible explanation of one of the facts discussed above – the cycles in unemployment.

Briefly, the NCS theory explains those cycles as a product of cycles in aggregate demand. Why does aggregate demand itself move in cycles? A major reason, according to NCS theory, is the complicated interrelationship between two components of aggregate demand – the demand by households for consumption goods and services; and the demand by firms for the capital equipment and structures needed to produce those goods and services, known as "investment demand." The end result of this interrelationship is that investment tends to fluctuate widely, from time to time, taking the whole economy with it (see box).

The NCS theory, which is much richer than we can possibly show here, does an excellent job of explaining cycles in unemployment. It is also a powerful key to designing policies that can counter them.

However, the NCS theory has not succeeded at all well in explaining why, despite the cycles, the number of jobs grows more or less steadily to absorb the expansion of the labour force, so that, on average, unemployment rates stay rather stable over time. For example, the labour force has grown very rapidly in several western countries since 1945, at greatly varying rates in different countries and different regions. The NCS explanation – that aggregate demand just happened to grow at almost the same rate as the labour force – seems weak, given that the growth rates of the latter varied so much. Nor does steady growth of aggregate demand, at any given rate, seem easy to reconcile with the above explanation of cycles. As for the persistent differences in unemployment rates between certain nations, the explanation – that demand simply happens to be weaker in some countries than in others – is, once again, unconvincing.

Upswings and Downswings

Investment demand usually needs to be high in order for full employment to be achieved. But investment demand will usually be high only if consumption demand is growing fairly briskly. If consumption demand is steady – or increasing only slowly – there will be little need to expand plant and equipment, and so investment demand will be too low to maintain full employment.

During an upswing from recession, incomes (and therefore consumption demand) rise rapidly enough that investment demand is satisfactorily high. A high level of investment demand plus growing consumption demand mean a growing aggregate demand. That, in turn, leads to growth in employment and incomes, which in turn spur the growth in consumption demand driving the process. Growth thus becomes a self-feeding process, for a while.

Eventually a limit must be reached, says NCS theory, either at full employment or even before that, if bottlenecks tend to choke expansion in particular industries. Output is then up against the limit, so that it can no longer rise. Total income being equal to total output, incomes stop rising as well, or rise at the relatively slow rate made possible by technical change. The growth in consumption demand must therefore slow down or stop altogether. With the diminution of growth in consumption, the need for new investment in equipment and structures falls sharply, and aggregate demand follows. Thus the very cessation of rapid growth, which has to come, causes a downturn in aggregate demand, rather than just a simple levelling-off. It is like a plane that must maintain a minimum speed in order to fly at all.

The drop in aggregate demand creates layoffs and short-time working in the investment-goods industries, and a downswing begins. The downswing is a self-feeding process, like the upswing. Once employment and incomes are falling, consumption demand begins to decline too, rather than remain stable. That lowers income further, which leads to more layoffs, lower consumption demand again, and so on.

Historically, downswings have come to a halt, but why this is so remains in dispute. Possibilities include: unemployment forcing down wages or the rate of growth of wages – relative to prices – to the point that expanding employment becomes profitable again; declines in interest rates, as savings fail to find investment outlets, which eventually revitalize investment and consumption demand; falls in prices, which increase the real value of money holdings to the point that consumption demand rises enough to start an upswing; an accumulation of technical and scientific discoveries that eventually make investment seem profitable again despite bad conditions; the growing need to replace old capital as it depreciates; and unexpected demand increases, caused by factors such as major new discoveries or the outbreak of war. A common view is that it is a combination of all these forces that eventually brings about an upswing. Unfortunately, these forces are very slow to act, according to NCS theory, so that recessions cannot be swiftly stopped by their action. Active policy intervention to stimulate aggregate demand will often be needed.

Classical Theory — The second theory, known as the "classical" theory, explains the two questions where NCS theory is weak, but fails where the latter shines – i.e., providing a plausible explanation of cyclical fluctuations in unemployment.

According to the classical theory, the way that labour force growth creates jobs for itself is very simple. The key is the reaction of entrepreneurs to the potential expansion of demand associated with population and labour force growth.

If additional firms set up in business to serve the expected demand increase as population grows, they will need to hire new people. These people will spend. Aggregate demand will then be higher than before. This increase in aggregate demand for goods and services will provide the extra sales needed to justify the existence of the additional firms, whose emergence began the whole process. The system "bootstraps" itself. The urge to take advantage of the profit opportunities and expansion that population growth makes possible will itself generate the profits that fuel that expansion.

If the process should falter, there are market forces other than profit-seeking at work to act as a self-correction, the classical theory argues. They include factors – such as the rates of increase of wages in relation to prices (with wage rates adjusting to make new hiring an attractive option) and declines in interest rates – that make new facilities profitable, thereby requiring more workers to operate them. As for the persistent national differences in unemployment rates, the classical theory explains them by variations in the severity within countries of the structural causes of unemployment (seasonal unemployment, slow filling of vacancies, shifting demand and production patterns).

Neither theory is fully acceptable as the definitive theory of unemployment. Not surprisingly, they make quite different predictions about immigration and employment. According to NCS theory, an increase in the labour force will raise unemployment because it does not automatically generate an increase in aggregate demand. By extension, NCS theory argues that immigration causes unemployment. Since the "big models" use this theory, it is therefore natural that they link immigration to unemployment.

Classical theory predicts that immigration will not increase unemployment. It may cause a temporary ripple in the unemployment rate, but the demand for labour will adjust automatically to absorb the extra supply.

A New Test — To help us choose between these virtually opposite predictions about unemployment, we performed a new empirical test of the classical theory, using recent economic data. A reasonable, acceptable standard version of the classical theory predicts that when the labour force grows, the economy absorbs the extra workers through an increase in the number of firms, not in the average size of existing firms. This particular prediction can be tested directly against data on company formation. If it holds up, it would be a definite score in favour of the classical theory, since NCS theory makes no obvious prediction one way or the other.

We present the relevant data in Table 4. They support the classical theory. The first two rows show that total employment grew from 1979 to 1989 entirely by an expansion in the number of firms. The average number of employees per firm hardly changed. This was true not only for the economy as a whole but also, by and large, for individual industries and regions. Thus, in nearly all cases, growth in the number of firms is the dominant source of employment growth in the Canadian economy. The classical theory, then, bears up well.

Summing Up

It is now possible to sum up on the basis of all four types of evidence: the international-comparison data; the time-series data for Canada; the big-model simulations; and the lessons to be drawn from the two main theories of unemployment. As we have seen, not all pieces of evidence converge towards the same explanation. Nevertheless, in our judgment, the bulk of the evidence favours the conclusion that a steady level of immigration, whether low or high, will not cause any unemployment. The main reason is that the number of firms will expand steadily, in these circumstances, to create the needed new jobs.

Table 4

Growth in Employment and in the Number of Firms, Canada, 1979 and 1989

	1979	1989	Change
			(Per cent)
Number of companies	471,000	618,000	+31.2
Number of employees	9,764,000	12,868,000	+31.8
Employees per firm	20.7	20.8	+0.4

SOURCE Estimates by the Economic Council, based on data from Dun & Bradstreet and Statistics Canada.

Our only reservation to this optimistic conclusion is that any sudden increase in immigration might strain the market-adjustment mechanisms that underpin the essential process of new-firm formation, creating a temporary burst of unemployment. To avoid this, all policy-induced shifts in immigration should be gradual.

The Size and Distribution of Economic Power

An obvious effect of immigration is on the size of the national population and, through that, on national economic (and political) power. To assess that impact, we explored three distinct demographic scenarios: one in which no further net immigration is allowed and immigrants just replace emigrants; a second case, in which the level of net immigration is maintained at 0.4 per cent of population (just above the average proportion for most of the last 20 years and equal to the average of the last five years); and a third scenario, in which we project a doubling of that level to about 0.8 per cent. The equivalent gross levels of immigration would be around 0.2 per cent, 0.6 per cent, and 1.0 per cent, respectively. We took 2015 as a reference point – a date far enough into the future to allow the scenarios to develop, but not so far as to invalidate conclusions based on current data. In this way, we hope to give an impression of three possible Canadian futures.

Canada under the Three Scenarios

Scenario 1

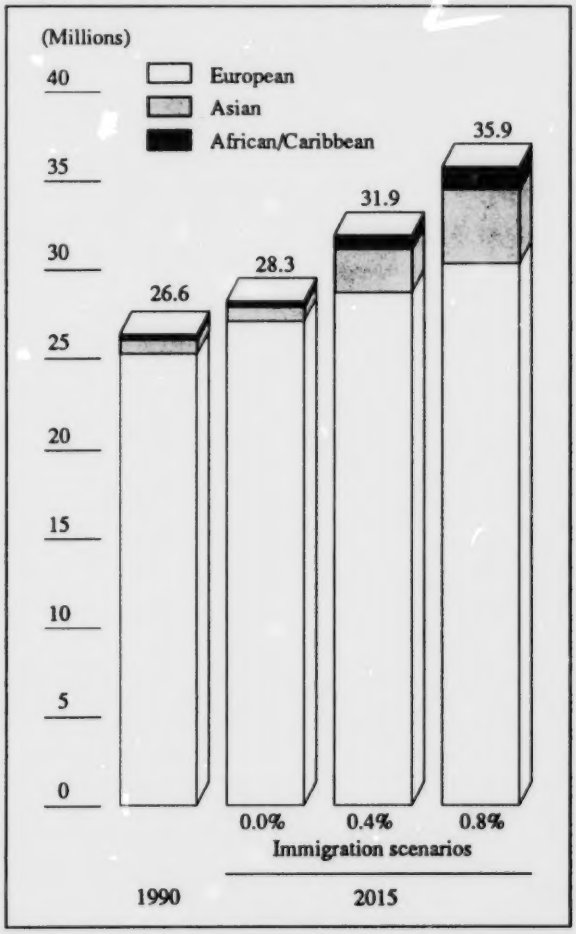
A Canada with no further immigration would contain close to the same ethnic mix as today. The total population by 2015 would be 28 million, compared with 27 million in 1990 (Chart 7). Real per-capita income might be about one third higher than in 1990, based on a reasonable assumption of an increase of 1 per cent per annum in real terms. Canada would remain a small economic power in relation to the United States and the larger nations of Western Europe.

Scenario 2

With the continuation of immigration at its present level, Canada's population would grow to about 32 million by 2015, but even then, it would still be a minor power, less populous than any of the major European democracies. The standard of living would rise very slightly over that envisioned in Scenario 1, with real per-capita income increasing by slightly over 30 per cent over the 25 years to 2015 – approximately 1 percentage point above the former case.

Chart 7

Ethnic Origin of the Canadian Population in 1990 and 2015 (under Three Immigration Scenarios)



SOURCE Data from Statistics Canada and estimates by the Economic Council.

Ethnically, there would be changes: from its present level of 96 per cent, the proportion of the population that is of European (94.5 per cent) and aboriginal (1.5 per cent) origins would fall to 90 per cent. Approximately three quarters of the remaining 10 per cent would be from Asian countries, while the rest would be predominantly from Africa and the Caribbean, with a smaller proportion originating from Latin America and the Middle East. Thus a majority of these 10 per cent would be members of visible-minority groups. There is a close – but less than full – correlation between coming from those parts of the world and visible-minority status in Canadian terms.

Scenario 3

Under the high-immigration scenario, Canada would achieve a population of 36 million by 2015 – 35 per cent more than today. While it would still remain smaller than France, the United Kingdom, and Italy in terms of population, its gross domestic product could be close to, or above, the output of the latter two countries. (That is, if our present advantage in GDP per capita over those nations were maintained.)

Thus the third scenario offers Canada something approaching medium-power status by 2015. Note, however, that this presumes that the meaning of medium-power status will be the same in 2015 as it is today. That may not be so, given the rapid development of countries such as South Korea, Taiwan, Brazil, and Mexico, and the apparent movement towards a confederation of Western European countries.

Effects on the Provinces

Atlantic Provinces

If prevailing patterns of immigration continue, the impact will vary among the provinces (Table 5). Newfoundland, New Brunswick, and Prince Edward Island will experience a decline in population relative to the nation as a whole. That decline is more pronounced when the level of immigration rises, being smallest in Scenario 1 and greatest in Scenario 3. Though it fares better than the other Atlantic provinces, Nova Scotia also slips relative to the central and western provinces. The decline is most pronounced under the high-immigration scenario.

Quebec

Quebec's proportion of Canada's population is not much affected by immigration; its share drops by close to 4 per cent under all scenarios. However, Scenarios 2 and 3 do convert absolute population decline into absolute growth (by approximately 4 per cent and 15 per cent, respectively).

Ontario

Ontario grows under all scenarios in both absolute and relative terms. Scenarios 2 and 3 simply accelerate this process. Even with no further immigration at all, the province will grow by nearly one million people by 2015. In Scenario 2, Ontario gains over 2.5 million people. In Scenario 3, where a doubling of net immigration rates is

Table 5

Population, Canada and Provinces, 1990 and 2015

	Population				Distribution			
		Scenarios for 2015[1]				Scenarios for 2015[1]		
	1990	I	II	III	1990	I	II	III
	(Thousands)				(Per cent)			
Newfoundland	569	551	554	557	2.1	1.9	1.7	1.5
Prince Edward Island	130	138	142	146	0.5	0.5	0.4	0.4
Nova Scotia	892	935	977	1,026	3.4	3.3	3.1	2.9
New Brunswick	724	720	718	716	2.7	2.5	2.3	2.0
Quebec	6,762	6,340	6,999	7,746	25.4	22.4	22.0	21.6
Ontario	9,731	10,596	12,401	14,448	36.6	37.4	38.9	40.2
Manitoba	1,090	1,068	1,236	1,426	4.1	3.8	3.9	4.0
Saskatchewan	1,000	1,090	1,170	1,260	3.8	3.8	3.7	3.5
Alberta	2,470	3,111	3,414	3,757	9.3	11.0	10.7	10.5
British Columbia	3,132	3,668	4,149	4,695	11.8	13.0	13.0	13.1
Yukon	26	24	24	25	0.1	0.1	0.1	0.1
Northwest Territories	54	73	76	80	0.2	0.3	0.2	0.2
Canada	26,580	28,314	31,860	35,882	100.0	100.0	100.0	100.0

1 Scenario I: no net immigration; Scenario II: net immigration at 0.4 per cent of population; Scenario III: net immigration at 0.8 per cent of population.
Source Data from Statistics Canada, and estimates by the Economic Council.

hypothesized, the population increases by close to 5 million; as a result, it will have 40 per cent of the national population by 2015, according to this scenario.

Manitoba

In Manitoba, under Scenario 1, the population is stable or declines slightly. It increases by 13 per cent under Scenario 2, but still falls relative to the rest of the country. In Scenario 3, it rises by 30 per cent and almost retains its present share of the national total.

Saskatchewan

Saskatchewan's share of the Canadian population remains stable under Scenario 1 and falls under Scenarios 2 and 3, the more so the higher is immigration.

Alberta and British Columbia

The fortunes of British Columbia and Alberta are similar through the three scenarios. Their common experience is rapid and substantial expansion, both in numbers and ethnic diversity. With no immigration, Alberta grows by 26 per cent – and British Columbia, by 17 per cent – between now and 2015. Under Scenario 2, the figures are 38 and 32 per cent, respectively. Under Scenario 3, a rise of 52 per cent gives Alberta a population of nearly 4 million people by 2015; and British Columbia, with a gain of 50 per cent, will have a population of not quite 5 million.

Effects on the Metropolitan Centres

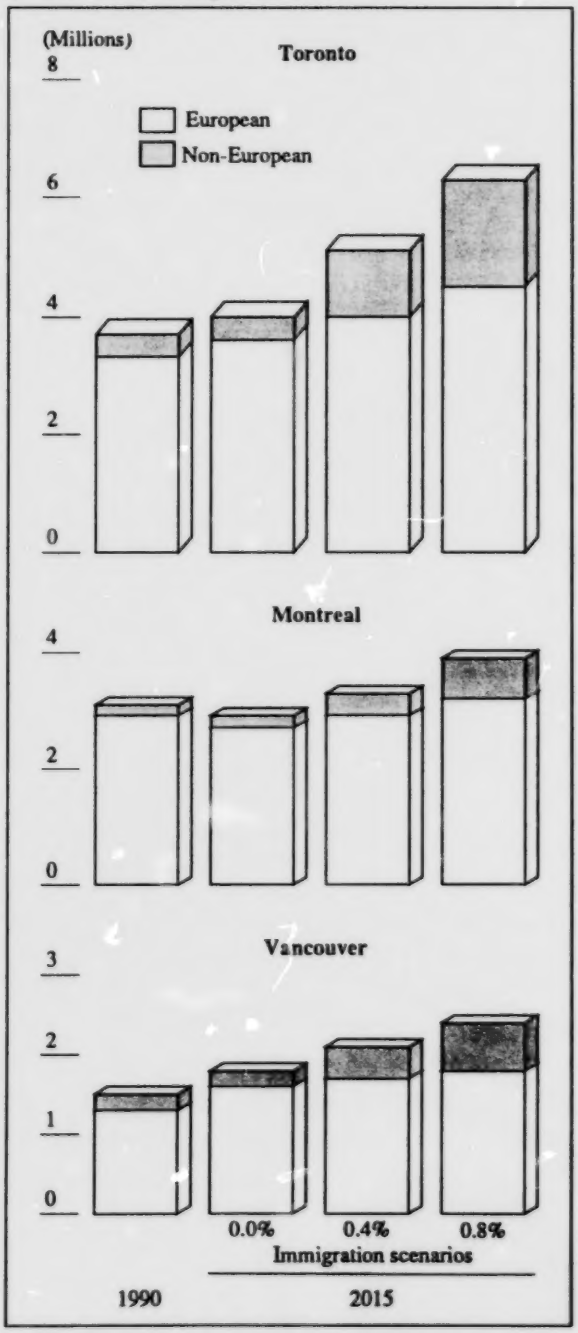
The story will be somewhat different in the nation's three major metropolitan centres – noticeably so in Vancouver and Toronto, somewhat less so in Montreal (Chart 8). Because many immigrants begin their life in Canada in the major cities, the relative numbers of people of European background in those cities is below the national average and decreases as the level of immigration rises.

Under Scenario 1, whereas the national average percentage of non-European origin is 4 per cent, it is 11 per cent in Toronto and Vancouver; in Montreal, it is equal to the national average.

Under Scenario 2, 21 per cent of the population of Toronto and 19 per cent of that of Vancouver will be of non-European origin by the reference year – well above the

Chart 8

Ethnic Origin of the Populations of Toronto, Montreal, and Vancouver, 1990 and 2015 (under Three Immigration Scenarios)



SOURCE Data from Statistics Canada and estimates by the Economic Council.

national average of 10 per cent. In Montreal, however, the proportion will be only 11 per cent – just above the national average.

In Scenario 3, about 15 per cent of all Canadians will be of non-European origin by 2015. For Toronto, Vancouver, and Montreal, the figures will be 29, 26, and 17 per cent, respectively.

Summing Up

In summary, going from zero net immigration to high immigration offers options for 2015, ranging all the way from a Canada at its present size and relative power to a Canada approaching the size of Italy and the United Kingdom in the present ranking of industrial powers. Per-capita living standards will not vary much, whichever choice is made, although there would be a slight gain in the bigger-nation options. However, as the size and power of the nation grow from one option to the next, its ethnic mix moves from one that is overwhelmingly European in origin (in the scenario postulating no net immigration) to one that includes substantial minorities from outside Europe (in the high-immigration case). Toronto and Vancouver experience more significant change – from 89 per cent European origin with no immigration in the future to 71 per cent and 74 per cent European origin, respectively, with high immigration.

Finally, the relative distribution of population and economic power among the provinces is not very sensitive to immigration. The population shares of Ontario, British Columbia, and Alberta rise under all scenarios, while they fall for Quebec, the Atlantic region, Saskatchewan, and Manitoba. Two provinces, Quebec and Manitoba, avoid population decline if immigration is high enough, but they still experience a loss in relative shares.

Immigrants and Refugees

Immigrants

Until now, we have focused on the effect of immigration on the hosts. However, the economic performance of immigrants is also worth examining, for two reasons:

1 To see if, after an appropriate adjustment period, immigrants do as well as their qualifications lead them to expect. If this is not the case and if discrimination is found to lower their economic performance, discontent and social friction could result, damaging both hosts and immigrants.

2 To discover if the public sense of Canada as a hospitable, humanitarian country, so important to our national self-image, corresponds to reality. If so, the positive feeling of doing good represents a significant gain.

There is little consensus among authors on how immigrants fare after their arrival. Some point out that, within a few years of their arrival, immigrants match the earning level of the native-born. Others argue that this is not true of all immigrant groups, particularly of some of those who have come to Canada in recent years. Furthermore, many of these studies are old, being based on data from the 1971 and 1981 censuses. Here, we attempt to re-examine the economic performance of immigrants based on the 1986 census, which gives a first glimpse of the experience of the larger numbers of immigrants coming from Asia, Africa, the Caribbean, and Latin America.

A Profile

In 1986, approximately 16 per cent of Canada's 25 million people had come to this country as immigrants. Since 1970, the composition of the immigrant population has changed in favour of new non-European immigrant groups (from Asia, Africa, the Caribbean, and South and Central America) and away from the traditional European immigrant groups, mainly from Europe itself and from the United States.

Because the majority of immigrants came to Canada as young adults (nearly half of them between the ages of 20 and 39 years), their average dependency ratio (the proportion of those aged 14 and under and aged 65 and over) is much lower than that of the native-born: in 1986, the dependency ratios of the two groups were 28 per cent and 50 per cent, respectively. While family size and male/female proportions are similar, more immigrants (78 per cent) than native-born Canadians (47 per cent) live in larger urban areas.

More than a third of immigrants speak a language other than English or French at home. Census results show that knowledge of English is lower among recent immigrants, but this is probably because earlier cohorts have had more time to learn the language. French-language proficiency also declined slightly with the 1980-86 arrivals.

Economic Yardsticks

Immigrants who came to Canada during the 1980s are somewhat less educated than their predecessors – though they are better educated than the native-born – and they are

somewhat less proficient in either English or French than either the Canadian-born population or earlier immigrant cohorts. One might expect these differences to be reflected in their economic performance. One might also expect that there would be a significant disparity in that respect between immigrant groups of traditional origin and those from outside Europe and the United States.

To check this, we studied the economic performance of immigrants as a whole, both old and new arrivals, using a number of indicators – labour force participation, unemployment, earnings, occupational structure, self-employment, dependence on welfare assistance, and income differentials. We also sought to test the validity of the popular view that immigrants who arrived during the 1980s are experiencing much greater adjustment difficulties than earlier cohorts or than the native-born and that these difficulties are more pronounced for the immigrant groups from outside Europe and the United States countries than for traditional immigrant groups, and also greater for refugees than for other immigrant classes.

Among immigrants, the labour force participation rate in 1986 – the proportion of those in the male population who were working or looking for work – indicates a very slightly smaller participation rate than among the Canadian-born (76.4 per cent and 77.7 per cent, respectively). If adjustments are made to take age into account, indications are of a somewhat higher participation rate among immigrants. As well, there is no strong evidence to suggest that the new immigrant groups have consistently lower participation rates than the traditional groups. The data also revealed that, not surprisingly, participation rates tended to increase with the duration of residence. A longer residence period probably gives immigrants more time to improve their language skills, pursue their education, and gain access to networks in the Canadian labour market.

With respect to *unemployment*, immigrants had lower unemployment rates than their Canadian-born counterparts in 1986; the figures were 8.2 per cent and 10.8 per cent. However, the unemployment rates experienced by recently arrived immigrants were higher – 16 per cent for those who had come between 1983 and 1986 – while immigrants who had arrived during the period 1978-82 had roughly the same rate of unemployment as the Canadian-born. This can be explained, in part, by the fact that the more recent arrivals needed a settling-in period. Immigrant groups from the Caribbean, Laos, Vietnam, and Eastern Europe are somewhat more vulnerable to unemployment than other groups, but in general there is no conclusive evidence that the new immigrant groups experience significantly more unemployment than traditional groups.

Data on unemployment rates by immigrant class are not available for the 1986 census. Some older information (from 1982) shows that at that time, independents had the shortest periods of unemployment; family-class immigrants and refugees had the longest periods without work, but the differences were minor.

This same, rather dated information shows that the *earnings* of independent immigrants are higher than those of assisted relatives, which in turn are higher than those of family-class immigrants and refugees. However, there are no recent data on this question, and no workable data comparing immigrant income levels by immigrant class with those of the Canadian-born.

A growing number of Canadians are turning to *self-employment*, and immigrants reflect this trend. From 1981 to 1986, the number of self-employed Canadians per thousand jumped from 68 to 90, while immigrant self-employment increased from 79 to 116 per thousand. The small differences between the two groups might vanish when corrected for differences in the age distribution, however.

More clear-cut is the data on *dependence on welfare assistance* – a telling yardstick of economic performance. Data from the 1986 census show that, contrary to popular belief, the proportion of welfare recipients among recent immigrants (12.5 per cent) is smaller than among the native-born (13.8 per cent).

Income Differentials and Discrimination

When analysing economic performance, it is particularly important to examine income differentials. If the work and wages of immigrants are not comparable with those of similarly qualified Canadian-born persons, it can be assumed that resentment and social friction will result.

We employed a regression analysis in order to isolate the main factors that are likely to explain the levels of wages commanded by first-generation immigrants and native-born Canadians. If any wage disparity appears after fully accounting for differences in endowments (quality and level of education, language, employment experience, and other relevant factors), then it may well be a result of some form of discrimination.

The work was based on data from the 1986 census. It used two groups of immigrants, A and B, with two corresponding control groups of native-born Canadians with whom each immigrant group was compared. Group A

immigrants had obtained their education and some of their work experience before coming to Canada. Group B immigrants had arrived at a young enough age to obtain all of their education and experience in Canada. That made it far easier for us to detect evidence of wage discrimination, if any.

If visible-minority immigrants suffer from discrimination, that should show up even among those who obtained all of their education and experience in Canada, and Group B immigrants should then do worse than the control group of native-born Canadians. If, however, earnings differences are based on whether one's qualifications and experience were acquired in Canada or abroad, then Group A, whose education and qualifications are wholly or partly foreign-earned, would be worse off than the control group of native-born Canadians, while Group B would not.

The control groups of native-born Canadians were chosen to closely match the immigrant groups in terms of age, and hence in terms of years of education and/or work experience. Using control groups enabled us to correct for differences between immigrants and native-born Canadians with respect to factors affecting earnings other than discrimination or where a person obtained his/her education and schooling. These factors include occupation, sex, language, province of residence, and so on. This approach thus made possible a sensitive testing for the possibility of discrimination.

The main conclusion to emerge is that there is no significant discrimination against immigrants in general. There is one possible exception, discussed in the next paragraph. More important, there is no detectable general tendency to discriminate against immigrants originating from Third World regions (Table 6) – among which are included, for the purposes of this Statement, such industrializing areas as Hong Kong. That can be interpreted as there being no *generalized* tendency to discriminate against visible minorities. While two particular nontraditional immigrant groups – people from East Asia and from the Caribbean – have not done well relative to the native-born and to other immigrants, immigrant groups from other Third World regions – West Asians, Southeast Asians, South Asians, Africans, South and Central Americans – have done as well as native-born Canadians. We were unable to discover any documentable explanation for the two exceptions. An important instance of group discrimination was established, but it was against women, whether immigrant or Canadian-born.

Also significant is the evaluation of foreign *vs.* Canadian education and experience. There are strong indications that education and experience acquired abroad pay much less, in terms of earnings, than they do if obtained in Canada. The regression analysis does not distinguish whether this is bias or whether it reflects a genuine difference in value, on the Canadian labour market, of foreign as opposed to domestically acquired education and experience. Its effect is that it takes all but the youngest immigrants up to 20 years to catch up to the earnings of Canadians, though catch up they nearly always do. This suggests that different values are placed on qualifications, not that there is a bias against visible minorities. Persons who came from Third World regions but who arrived here young enough to obtain all of their education and experience in Canada, performed as well as native-born Canadians in nearly all cases.

In general, we found that the economic performance of immigrants compares favourably with that of comparably qualified native-born Canadians and that, using a variety of indicators, immigrants adjust reasonably well to our labour market.

Table 6

Income Differences[1] between Immigrants and Canadian-Born Persons, 1986

	Immigrants	
	With education and some work experience abroad	With education and all work experience in Canada
	(Per cent)	
Region of origin		
West Asia[2]	–30	*
East Asia[3]	–19	–20
Southeast Asia[4]	–21	*
South Asia[5]	–19	*
Africa[6]	–21	*
South and Central America	–27	*
Caribbean	–22	–26
Southern Europe	–16	*
Eastern Europe	*	*

*Not statistically significant.

1 Measured as the percentage of immigrant wages relative to the wages of native-born Canadians.

2 Israel, Lebanon, Turkey, Iran, and other Middle Eastern countries.

3 Japan, Hong Kong, South Korea, China, and Taiwan.

4 The Philippines, Vietnam, Laos, and Kampuchea.

5 India, Pakistan, Sri Lanka, and Bangladesh.

6 Excludes northern and southern Africa – i.e., Egypt, Algeria, Morocco, Tunisia, the Republic of South Africa, and Botswana.

SOURCE Estimates by the Economic Council, based on Arnold deSilva, "The economic performance of immigrants," a paper prepared for the Economic Council.

Refugees

The sudden recent increases in people arriving in Canada and seeking refugee status have raised considerable concern. It is not just a matter of processing delays and fraudulent claims, serious as these are. The root difficulty is that there may be so many *genuine* refugee claimants reaching Canada in the years ahead as to undermine the implementation of a well-thought-out immigration policy. That possibility must be faced. We offer no solution to prevent or control this problem. In the following paragraphs, we explain recent developments and highlight the problem.

Canada has a long history of assistance to refugees. Since World War II, we have opened our doors to nearly 500,000 refugees, more than half of them within the past 15 years. The basis of our support for refugees is not only humanitarian concern but also legal obligations in the context of international treaty agreements. As a signatory to the 1951 Geneva Convention relating to the Status of Refugees and its 1967 Protocol, Canada entered into an obligation to protect foreign nationals against involuntary repatriation to countries in which they have justifiable fears of persecution.

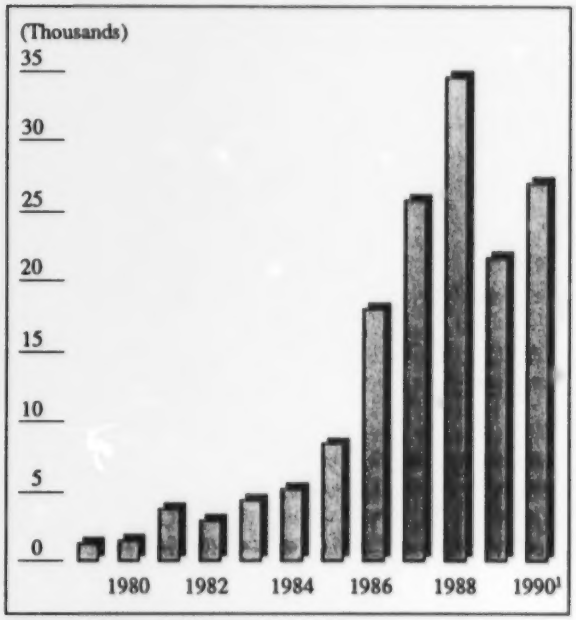
Refugees become immigrants through two quite distinct processes, which have different implications for the management and costs of Canadian immigration policy.

Traditionally, refugees are selected overseas by government officials or by private sponsors. During the early postwar period, the majority of refugees came from Eastern Europe, but in the 1970s and 1980s, other areas – particularly Southeast Asia – became important sources of refugees. The point system used to select independent immigrants is not applied to them, but they are usually screened carefully to make sure that they can adapt to the Canadian economic and social environment. Although the "supply" of refugees has often fluctuated in the past, leading Canada to increase its intake on occasions such as after the Soviet invasion of Hungary in 1956, the federal government retains full control of the process, under which 97 per cent of refugees obtained landed-immigrant visas in 1988.

There is, however, a second process that is becoming more important. The 1980s saw a very rapid rise in the number of people arriving in Canada and claiming refugee status from within the country (Chart 9). No selection criteria are applied to those claimants. If they can present evidence that they are genuine refugees and that they pose no health or security risk, they are automatically given permanent residence under Canada's international treaty obligations.

Chart 9

Refugee Claims Received, Canada, 1979-90



1 January-September only.
Source Data from Employment and Immigration Canada.

Determination of Claims to Convention Refugee Status

Convention refugees are persons outside their country of origin who, because of a well-founded fear of persecution based on their ethnic origin, race, religion, nationality, or political persuasion, are unwilling to return there.

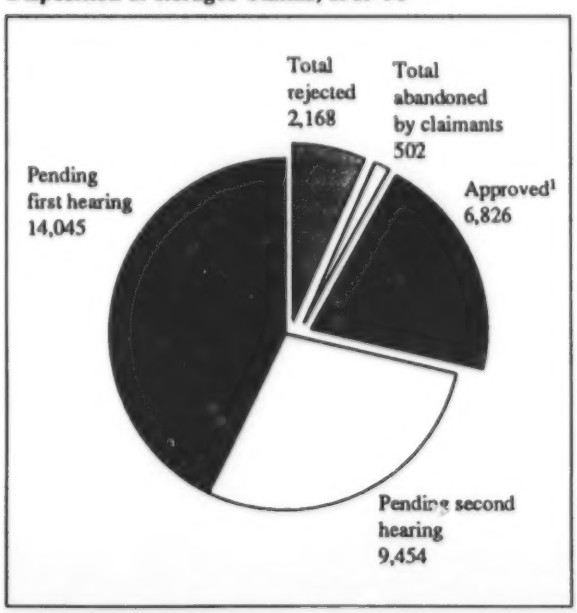
Until 1989, 70 to 80 per cent of claims to Convention refugee status were rejected. But the determination process was very slow and a backlog of unprocessed claims was building up over the years. This led the government to set up an administrative review in 1986. About 27,300 claimants – approximately 85 per cent of the total – were granted landed-immigrant status under the review, which is often referred to as an "amnesty." A sharp increase in the number of claimants occurred over the next two years: at the end of 1988, there were about 85,000 claimants waiting for their cases to be heard. The review and the prospect of being able to stay in Canada for several years while waiting for their claims to be processed may have encouraged people who did not qualify as refugees to get into the country and make an application.

The government responded with a new refugee-determination system, which came into effect on 1 January 1989 and included the creation of the Immigration and Refugee Board (IRB). There are two stages in the new system. An initial hearing determines the eligibility of the claim and decides whether it has a credible basis. About 95 per cent of claimants pass this test and are referred to a full hearing where their claim is examined. The process tends to favour the claimant, since unanimity of the two-member board is required for rejection of a claim but not for its acceptance; in addition, the claimant can apply for leave to appeal a rejection at each step of the process. During the first year of the new system's operation, 76 per cent of the claims were accepted. The rate fell to 70 per cent during the first nine months of 1990.

Backlogs have developed at both stages of the determination process. During the first year of operations, fewer than half the cases were processed (Chart 10). Although the IRB improved its performance in the first nine months of 1990 – particularly its management of the second stage – and dealt with nearly 60 per cent of cases, there is a large number of outstanding claims in addition to the backlog of 85,000 claims inherited from the old system. A parallel system was set up to deal with the latter, but as of November 1990, only about 38 per cent of the 85,000 claims had been processed.

Chart 10

Disposition of Refugee Claims, 1989-90



1 Landed-immigrant status is granted once the refugee applicant has satisfied health and security checks.

SOURCE Auditor General of Canada, *Report to the House of Commons, Fiscal Year Ended March 1990* (Ottawa, October 1990).

Costs

The new refugee-determination process is costly for all concerned (except perhaps for any "false" refugees). Genuine refugees may have to wait for several years, suffering from considerable anxiety, before they know whether they will be able to stay in Canada or will have to face deportation.

The direct economic costs of receiving and processing refugee claimants are high. For example, the IRB and the Canadian Employment and Immigration Commission spent $83 million on processing claims during the 15-month period from 1 January 1989 to 31 March 1990. Since January 1989, all claimants who have passed their initial hearing have been encouraged to apply for work permits. Despite this, substantial welfare-assistance expenditures are incurred by the various governments. More than $250 million was spent in 1989 by the federal government and the governments of Ontario, Quebec, and British Columbia on refugees and refugee claimants. This amount does not include language training.

Even if the annual growth rate in the number of claimants were held at 10 per cent – a rather conservative figure, given that the stock of refugee claimants increased at an average rate of 33 per cent annually over the 1979-90 period – expenditures would be about $650 million (in 1989 dollars) by the year 2000; and this amount does not include the cost of the refugee-determination process. This is far beyond the value of any gains in scale economies or savings in tax and dependency costs that might accrue to Canadians from these claimants.

There are nonmonetary costs as well. The unpredictable arrival of refugee claimants and the tortuous process of determining the validity of their claims make it difficult for the Canadian authorities to implement a coherent policy encompassing predetermined levels of immigration and considered choices between the three classes of immigrants. These difficulties also constitute a source of interjurisdictional friction, since the federal government is responsible for controlling entry into Canada, but the provincial governments must bear many of the housing, schooling, language-training, and welfare costs attributable to refugee claimants.

Finally, we would judge that Canadians have mixed feelings about the numbers of refugee claimants who are flocking to this country. We believe that many are proud and happy to be able to welcome people fleeing from persecution in other parts of the world, but there are also many Canadians – often the same people – who are concerned that some of the people claiming refugee status are not genuine refugees but people who have come to Canada to improve their economic prospects. While the Canadian public may not disapprove of this goal, it is disturbed that these claimants jump the queue to move ahead of genuine refugees selected by Canada in refugee camps, of relatives waiting to join their families, and of eligible people wishing to enter the country as independent immigrants. Any suspicion that Canada is being hoodwinked and that taxpayers are footing the bill could create a negative sentiment that could eventually spill over onto all refugee-immigrants and possibly onto immigration in general.

Policy Options

The arrival of thousands of refugee claimants – in numbers that are likely to increase rather than decrease in the future – has radically altered Canada's options. Unlike most other countries receiving refugees, Canada guarantees refugee claimants virtually the same legal and social protection as its citizens under the Charter of Human Rights and Freedoms. This has led the federal government to set up a complex process for determining claims. The double humanitarian obligations that we have willingly assumed under the Geneva agreements and under our own Charter of Rights have made it very difficult for the federal government to control and manage the refugee-determination process.

The Canadian government could respond to this situation in three different ways. It could devote considerably more money than in the recent past to clearing the backlog and speeding up the claimant-determination process. This would eliminate the excessive hardship suffered by claimants waiting for a decision and reduce the social-assistance costs. But there is no guarantee that it would deter false claims or reduce the board's workload in the future, since speedier processing might attract more claimants. Alternatively, the government could apply existing programs and procedures more stringently and tighten up its control over entry, including strengthening visa requirements. The 1990 report of the Auditor General notes that the elements of the 1989 Act intended to lighten the caseload and deter false claims have not been used and that the fines levied against companies transporting refugee claimants have not been collected. Finally, the government could do nothing, hoping the problem will solve itself in the longer term.

However, we feel obliged to draw attention to the fact that a do-nothing policy, while it might seem to avoid costs today, would not be a sensible option, for it would entail heavy costs at some point in the future. Those costs are likely to be financial in the first instance, as the stock of refugee claimants continues to grow. Over the past decade, it has grown at an annual rate well above 10 per cent. If one extrapolates future inflows at this very conservative rate, there could well be over 250,000 claimants by the year 2000. Reluctance to assume these costs and frustration with the growing backlog might, in turn, lead to an ad hoc repudiation of Canada's treaty obligations, which would be most regrettable and would entail very high political costs, both at home and abroad.

The Economic Council has no expertise in either administrative law or policing. But it has spoken out many times, in recent years, on the need to reduce the federal deficit. It cannot, therefore, recommend increased expenditure that is not justified by very careful study. We note, however, that the Law Reform Commission of Canada is currently conducting a study of the refugee-determination process that is likely to lead to suggestions for further improving and expediting the process while respecting claimants' rights to the due process of law. It is still too early to say whether the results of this study and of the implementation of the Auditor General's report will obviate the need for more government spending. Since we have done no research on those issues, we have no recommendation to make. But we do point out that sound management of the flow of refugee claimants is a prerequisite for a successful immigration policy and that management will be harder, not easier, to exercise in the future, as increased international mobility leads more and more people to leave their native countries.

Social Implications

Newcomers to Canada enter more than an economy, of course. They enter a society, of which the economy is only a part. Policy decisions must therefore reflect both the social and the economic implications of immigration. In fact, given the relatively minor economic effects of immigration, social considerations take on even greater importance.

That social impact of immigration is much harder to calculate, however. While the changing proportion of ethnically and visibly different minorities can be calculated, the effect of this transformation on attitudes and on the incidence of social friction is more difficult to assess.

Some will see increased diversity as a key to building a dynamic, pluralist society; others see it as a threat to social peace and valued traditions. Either way, it is clear that if significant immigration occurs, the society of the future will almost certainly be very different from that of the past.

Even unchanged immigration levels implies change in the nature of our society. Today, roughly one Canadian in 20 is of non-European origin. But 25 years from today, even with no change in average immigration rates from their levels of the past 25 years, that proportion will be one in 10.

Prejudice and Tolerance

Thus, unless immigration is eliminated entirely, a growing proportion of Canadians will belong to visible minorities. That raises questions about the potential for increased intolerance and conflict in Canadian society.

To address these questions, we call upon both theory and research evidence related to intergroup conflict and examine whether or not there are any indications that changes in the ethnic composition of immigration over the last two decades, or the rate at which those changes have occurred, have altered the potential for ethnic conflict in Canada. To do this, we obviously need to find a usable index or measure of the potential for conflict. One such index is the incidence of conflict itself, but comprehensive statistics on ethnic conflict in Canada are not available. (Later on, we do use Canada-wide data on one type of conflict, anti-Semitism.) Moreover, we are concerned with the *potential* for conflict more than with its current and past occurrence. Thus an appropriate index for our purpose is a measure of the chief psychological factor underlying intergroup conflict, which is *prejudice*.

In our investigation of prejudice, of attitudes to immigration, and of how they have changed over time, we analysed the data available on trends, attitudes, and behaviour towards visible minorities. By seeking to establish trends over time and to put raw statistics in context, we were trying to avoid misconceptions created by individual public-opinion surveys or by undigested compilations of the number of incidents of conflict. Perceptions drawn from these and other sources do not always accurately represent the reality of intergroup relations.

Analysis of Public-Opinion Surveys

National public-opinion surveys were useful in helping us to obtain a more objective view of prejudice. Even surveys can mislead, of course, unless they are carefully assessed from the point of view of their contextual framing, the phrasing of the questions, and the controlling for some important respondent variables (such as the education level). This potential to mislead is exacerbated if any one survey is taken alone: it may then accidentally isolate a single point in time where there is a momentary blip in the public mood.

We minimized the chances of error by analysing the results of no fewer than 62 surveys taken from 1975 to 1990 by Gallup, Decima, Environics, and others. Our results therefore give a nuanced understanding of the evolution of public opinion regarding immigration.

The analysis of the survey data was conducted in two stages. First, we attempted to determine the nature of the attitudes measured by the various questions. It was especially important to be able to distinguish between changing attitudes towards immigration in general and changing attitudes towards visible-minority immigrants in particular. That enabled us, in the second stage, to arrive at a more accurate interpretation of the survey results. The results of the first stage of analysis also made it possible to design "composite" measures, built up from different questions measuring the same attitudes, that help to avoid errors that can result from over-emphasizing single items.

Stage 1 — At the first stage of analysis, we examined the interrelations among the various questions. We began by segmenting the respondents according to their degree of urbanization, level of education, age, and gender (one segment, for example, consisted of female respondents, aged 30 to 39 years, with a high school diploma, living in rural communities). On each item or question, the scores of all respondents falling within a given segment were averaged to provide an overall score representing that segment.

Next, we used a technique called *factor analysis* (see box, p. 28) to shed light on the meaning of responses to each question by systematically examining how they related to responses to the other questions.

Two important "factors" emerged from the analysis. They were identified as representing attitudes towards immigration. We judge that the first measures the respondent's impression of, and attitude towards, the volume of immigration (the "quantity" factor), and the second measures the dimension running from tolerance to prejudice (the "tolerance" factor) and was marked by questions dealing with immigrants maintaining their culture, approval of interracial marriage, and special status for native peoples.

Stage 2 — At the second stage, with the true meaning of the various questions clarified, we analysed trends in the

answers as well as the variables that determine why people vary in their responses (Figure 2). It is, of course, especially important to know how the tolerance/prejudice factor and the items that measure it have changed and why. In considering these changes, we are also especially interested in the role played by visible minorities and by economic conditions; but many other variables are equally interesting and may have an important bearing on policy (the level of education, for example). Guidance as to which variables to include was provided by past research findings and by theoretical arguments regarding the determinants of prejudice, as described in the research report that will soon be published as a companion to this Statement.

It had seemed to us, before beginning our research, that tolerance would be weaker – and prejudice, greater – where visible-minority immigrants were the most numerous (i.e., especially in Toronto and Vancouver). One of the most important results to emerge from our work, however, was that respondents from communities with higher proportions of visible-minority immigrants were, in fact, likely to be more tolerant of racial or ethnic differences. That does not imply, of course, that areas without significant immigration are hotbeds of intolerance. But this finding does support the "contact hypothesis," which argues that contact between different ethnic groups leads to positive intergroup attitudes. Chart 11 illustrates this; it indicates how the proportion of people in a community who tolerate interracial marriage grows with the proportion of visible minorities living there. Responses on this matter proved to be an especially valuable indicator of tolerance.

It is important to note, however, that the contact hypothesis postulates that contact must occur under the appropriate conditions and that people must make contact in a way that enables them to develop mutual respect – for example, as co-workers rather than as masters and servants or as police officers and lawbreakers. This emphasizes the need for the integration of newcomers into social and economic activities in Canada.

Despite our positive result in this area, it is clear that any sudden rapid growth in the proportion of visible minorities would have a negative impact on attitudes. We also found that whenever there happened to be a coincidence of high or worsening unemployment and high proportions of visible minorities, unfavourable attitudes were much more likely to develop.

Factor Analysis

The meaning of the answer to a given question is not always obvious from a simple examination of its content. What seems to be a measure of attitude towards immigration may in fact be a measure of racism, and vice versa.

Psychologists have developed a way to resolve the ambiguity regarding the meaning of a given measure by examining how responses to it relate to responses to other measures. Take, for example, the three items used by Gallup to measure approval for black/white intermarriage, desire for a larger population, and support for increasing immigration. If the last of these simply measures the respondent's attitude towards immigration, we would expect the same people who endorse higher levels of immigration to also endorse a larger population size for Canada; that is, we would expect a positive correlation between responses to the two questions, but we would not expect any relation between responses to the "immigration" item and responses to the item expressing approval of black/white intermarriage. If, however, the "support for immigration" question actually measures prejudice or racism, then we might expect to find responses to it to be related to responses to the "black/white intermarriage" question and to be unrelated to opinions regarding a larger population size. Thus, while we may be quite uncertain about the meaning of responses to any one question, by looking at the way these responses relate to the responses to other questions, we may be able to resolve a large portion of that uncertainty.

With only three items, simply examining the correlations between them will yield the required information. However, when dealing with larger numbers of items, the number of intercorrelations will quickly increase to the point where it is almost impossible to keep track of which item relates to which other item and in which way. Fortunately, a statistical procedure, called *factor analysis*, has been developed that essentially conducts a mathematical examination of the correlation matrix (the set of the correlations between each item and every other item) and produces a solution which answers the questions: a) "How many different dimensions (factors) are being measured by this set of questions or items?" and b) "Which items are measuring which dimension (factor)?" It is then possible to examine the content of the items associated with a given factor to determine its nature. With regard to the three items, then, if the "immigration" item is associated with the same factor as the "black/white intermarriage" item, this would suggest a "prejudice" or "racism" factor. If "immigration" is associated with the same factor as "larger population," that would suggest a "perceived consequences of immigration" factor.

Figure 2

Variables[1] Affecting Attitudes towards Immigration Levels and Tolerance of Ethnic Differences

	Attitudes towards immigration levels	Tolerance of ethnic differences
Among Anglophones[2]		
High proportion of visible-minority immigrants	*	P
Rapid change in that proportion	*	N
High unemployment	N	*
High proportion of visible-minority immigrants and high unemployment	N	*
Trend over time	P	P
Among Francophones[3]		
High proportion of visible-minority immigrants	P	P
Rapid change in that proportion	N	N
High unemployment	N	*
High proportion of visible-minority immigrants and high unemployment	N	*
Trend over time	N	*

1 A "P" indicates there is a *positive* association between the variable (e.g., the proportion of visible-minority immigrants) and the measure (e.g., the level of tolerance of ethnic differences), whereas an "N" indicates there is a *negative* association between them (e.g., the level of unemployment and the attitude towards immigration levels). An asterisk (*) indicates there is no significant relation between the two. A positive "trend over time" indicates that overall attitudes towards immigration (for example) are becoming more favourable. A negative trend shows the opposite.
2 Residing outside Quebec only.
3 Residing inside Quebec only.
SOURCE Based on the analysis of Decima, Environics, and Gallup survey data.

A second key finding came from our measurements of trends over time. They clearly showed diminishing levels of prejudice and increasingly positive attitudes paralleling increased contact (as illustrated by Chart 11). The only exception to that general trend consisted of Francophone respondents in Quebec, who showed an increasing tendency to feel there was "too much immigration" (see Figure 2). It must be pointed out, however, that unfavourable attitudes towards immigration do not imply the presence of prejudice, as is almost certainly revealed by the fact that both Francophone and Anglophone communities show similar increases in tolerance as the proportion of visible minorities increases.

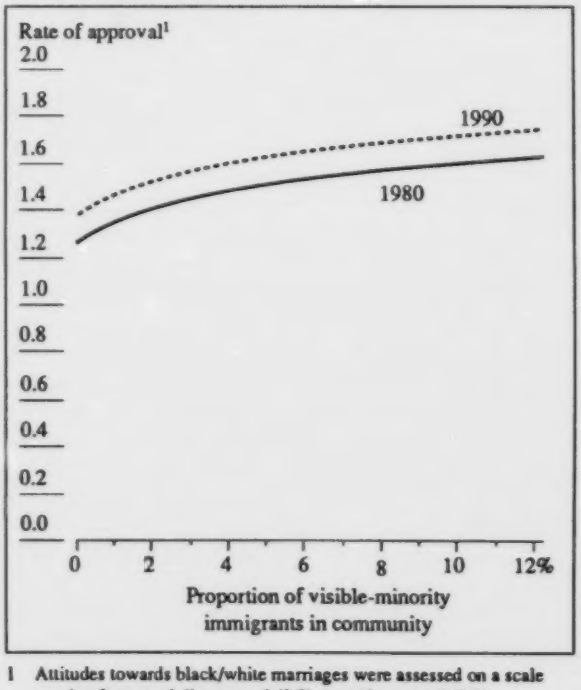
A number of other findings will be reported in our forthcoming research report on immigration. One that should be mentioned here is that the variable with the strongest impact on the degree of prejudice or on responses to immigration was education, which has a definite positive effect on intergroup attitudes.

Other Evidence

To complement our analysis of the numerous surveys, we have four other kinds of evidence. First, we looked at

Chart 11

Estimated Approval Rates of Black/White Marriages, Canada, 1980 and 1990



1 Attitudes towards black/white marriages were assessed on a scale ranging from total disapproval (0.0) to total approval (2.0).
SOURCE Estimates by the Economic Council, based on data from Gallup surveys and Statistics Canada.

available measures of actual incidents of conflict. While there has been an apparent increase over time in the number of such incidents, that does not necessarily imply that the state of intergroup relationships has worsened, for three reasons: 1) as people are more sensitized to such issues today, there is a greater tendency to report less serious incidents; 2) there are more potential targets for intolerance (i.e., there are more visible-minority members in Canada); and 3) a small minority of Canadians may have become more negative in recent years, reacting against a more tolerant majority.

Ideally, the Council would have liked to analyse an index of ethnic conflict of all kinds, but the only available Canadian index that was national in scope consisted of the data on anti-Semitic incidents collected since 1982 by the League for Human Rights of B'nai B'rith. However, since prejudice is prejudice, the Council believes that generalizations from this material can legitimately be made.

The data file covered incidents that occurred between 1982 and 1989, broken down by region, date, and type of incident. These data were combined with estimates of regional unemployment rates and census data on the proportion of Jewish residents. An analysis was then conducted to determine the relations between these variables.

That analysis, when restricted to incidents involving some form of threat or conflict – and taking target availability into account – shows no evidence of escalating violence against the Jewish ethnic minority.

The trend over time showed a significant increase, however, in the total number of incidents of all kinds, violent or nonviolent (an example of the latter would be anti-Semitic graffiti), once the effects of the other variables (proportion of Jewish residents, unemployment rates, and so on) were taken into account. Whether this represents a growing tendency to report even minor incidents or a genuine increase in the overt expression of intolerance remains an open question. It does suggest that we should not become too complacent about the results of other tests suggesting a general improvement in tolerance among Canadians.

Second, we commissioned a survey to check whether increased immigration on the West Coast was leading to greater criminal activity there. In Richmond, British Columbia, questionnaires were administered to community leaders, police officers, and others with a view to discovering whether, in their informed opinion, any increase in crime in their community could be linked to immigration. The results indicated that there was no apparent linkage between immigration and crime.

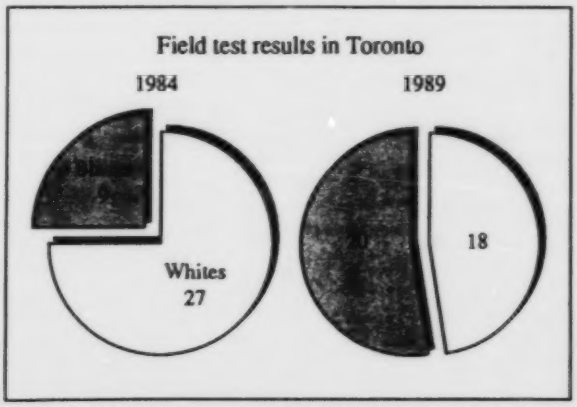
Our third approach was a direct experiment. We commissioned a study to provide direct evidence on discrimination trends over time. The study replicated an examination of employment discrimination in Toronto conducted by independent researchers in 1984. In both studies, actors played the role of job applicants. Both studies had two components. One involved face-to-face job interviews, with equally qualified blacks and whites applying for the same job within an hour of each other. The employer could choose either, neither, or occasionally both. The other component involved telephoning employers to try and obtain job interviews. The jobs being tried for were a completely different set than those in the first component. Surveys like this have become common. The methodology is well refined, and the results are reliable.

The interview part of the 1984 study found whites favoured over blacks for job offers by a three-to-one margin. The telephone part had shown discrimination against callers with an accent, particularly West Indian and Indo-Pakistani. Our 1989 replication showed a dramatic change, in that no discrimination was discernible in the in-person job offers (Chart 12) – an outcome that cannot be accounted for by the tight labour market conditions in Toronto in 1989, since employers had the option of hiring whites. The telephone part of the survey, however, still showed less favourable treatment of accented callers, as in 1984.

That is not to suggest that racism has vanished from the job market, of course, but our results do point to a

Chart 12

Job Offers to Blacks and Whites, 1984 and 1989



SOURCE F. Henry, "Who gets the work in 1989?," a paper prepared for the Economic Council, 1990.

decreasing level of prejudice in Toronto as the visible-minority population grows. This reinforces the Council's broad finding that the tolerance of Canadians for immigration generally and for visible minorities in particular is, in fact, increasing.

The fourth complementary piece of evidence has already been described above. It is the analysis of census data on the economic performance of immigrants. The results showed that there was no systematic discrimination in earnings against visible minorities.

Summary

In sum, we have five types of evidence: 1) a careful analysis of all the available results of major opinion surveys of the last 15 years on attitudes to visible minorities and on immigrants in general; 2) an examination of actual incidents of threat or conflict against one minority, Jewish Canadians; 3) a survey of views about immigration and crime in Richmond, British Columbia; 4) a direct test of trends in job discrimination in Toronto; and 5) an assessment of census data on earnings to check for discrimination. The overall picture from these five sets of results leads us to be cautiously optimistic about the degree of tolerance of Canadians. It seems to be reasonably high, and it is rising. That is true both towards immigration in general and towards visible minorities in particular. The only exception is that of Quebec Francophones, who have become somewhat less tolerant of immigration in general; they show no trend over time, negative or positive, in tolerance towards visible minorities. The only really risky situations, anywhere in Canada, are those where unemployment is high or where the increase in the proportion of visible-minority immigrants is unusually rapid. Both types of situations tend to decrease tolerance.

Canadians must also be aware that even if tolerance continues to grow and the economy remains reasonably buoyant, the incidence of ethnic friction may nevertheless increase. That is because, with more visible-minority members in a given area, the opportunities for the expression of prejudice grow even if the average level of prejudice is declining. So, a continuation of the present immigration level, or an increase in it, is likely to lead to some increase in the number of incidents of discrimination and ethnic conflict.

Thus, despite the very positive outlook on this front, we believe that more action to combat prejudice is needed; we shall go into this in greater detail in our recommendations.

Diversity and Multiculturalism

Among the goals of the policy of multiculturalism that Canada has adopted in recent decades is the desire to increase the acceptance of diversity. To assess this policy, the Council first considered the costs and benefits of ethnic diversity and then reviewed the spectrum of strategies that a host society can adopt towards its immigrants.

Ethnic Diversity

Canada is already an ethnically diverse nation, and the degree of its diversity is growing. We cannot return to a society where the culture is unquestionably Anglo-Saxon, Celtic, or French in tone. We can, however, control the rate of growth of diversity. So we should be aware of its costs and benefits.

On the cost side, diversity could increase prejudice – and thus the threat of social friction. Our research suggests, however, that prejudice is decreasing rather than growing. Nonetheless, there is some evidence that Canadians are beginning to feel that the burden of accommodation falls unduly on their shoulders, that they are having to bend over backward to accommodate newcomers. We shall return to this point later on.

As to the positive side of diversity, several benefits have been suggested. They include: the positive effects on native-born Canadians of emulating the industriousness of immigrant students and entrepreneurs; the attraction and dynamism of cosmopolitan cities; greater export penetration by firms with multilingual, multicultural salesmen and management; the beneficial effects of having to spell out human rights objectives and commitments; and the enhanced creativity and flexibility of a diverse society as opposed to one that is homogeneous.

But although the Council searched the literature and commissioned new work, it was unable to document evidence of these or other possible advantages of ethnic diversity. The more significant societal gains from cultural and ethnic diversity remain speculative.

Nevertheless, basic psychological research shows that the effects of increasing environmental complexity on individual emotional well-being and skill development are positive, though they diminish in size as complexity rises, eventually reaching a point where they become negative. In short, both very simple and very complex environments will have relatively negative effects on skill development, compared with the effects of a moderately complex learning

environment. The same is true of the effects of adapting social institutions to meet the needs of a culturally more diverse population. We conclude that diversity probably generates benefits but that caution about the rate of societal change is warranted.

A Host Society's Strategies towards Immigrants

There are four strategies or approaches that a host society can adopt towards its immigrants: segregation, marginalization, assimilation, and integration. Since the first two are morally unacceptable to us and, we believe, to the great majority of Canadians, the choice is between assimilation and integration. There are several reasons to prefer integration.

First, the contact hypothesis (see above) works better under an integrationist strategy. Members of the different groups are more likely to meet on equal terms, and their respective ethnic origins are more likely to be manifest (or "salient," as the social psychologists say). This means that contacts are likely to give rise to positive impressions and that these will be extended beyond the two persons involved to other members of the two ethnic groups.

Is the contact hypothesis valid? That is, will the positive effects generated by the tolerance and preservation of ethnic differences (i.e., the integrationist approach) outweigh any costs, in terms of discrimination and conflict, that might be avoided if those differences were minimized by means of an assimilative strategy? The question cannot be answered definitively. But a study conducted in 1982 by Kalin and Berry found evidence of positive contact effects. It showed that attitudes towards different ethnic groups were more favourable in areas where there were larger numbers of members of such groups. Those findings are strongly reinforced by the results of our own analysis of surveys described above.

A second advantage of an integrative strategy is that it reduces the potential for conflict arising from the frustrations of members of minority groups who suffer from discrimination. Violent reactions to discrimination, at both the individual (crime) and group level (riot), are the result of "giving up on the system." There is less of a temptation to give up as long as the barriers to success are not seen as unsurmountable. An integrative strategy, which encourages successful immigrants to maintain their ethnic identity, will increase their visibility and hence the ability of the so-far-unsuccessful members of their ethnic groups to identify with them, lessening the probability of their becoming antisocial. An assimilationist strategy, on the other hand, is of no help in this respect. To the extent that it is successful in stripping some immigrants of their cultural identity, they become so closely associated with the host society in the minds of other immigrants that they cannot be role models for members of their ethnic group.

Third, the accommodations to the host society that immigrants make are more visible and more obviously voluntary in an integrationist environment than in an assimilationist one. Research shows that observed accommodation on the part of members of a group increases its acceptability by members of other groups.

Canadian Strategies

Canada's multiculturalism policy is an integrationist strategy. It is based on what is known as the "multiculturalism assumption" – i.e., the belief that a person's confidence in his/her own individual identity and place in the Canadian mosaic facilitates his/her acceptance of the rights of members of other groups to have their own place in Canadian society.

Multiculturalism policy does not aim to maintain complete cultural systems but to preserve as much of ethnic cultures as is compatible with Canadian customs. For example, the speaking of heritage languages in the home and at social functions or the practice of different religions are cultural features that can usually be transported without major difficulty. However, certain traditional practices of some cultures conflict with Canadian norms and should be relinquished "at the door," so to speak. Treatment of women as intrinsically inferior and intolerance in matters of ethics, politics, or religion would be two examples.

The multiculturalism policy has evolved since it was first introduced in 1971. The maintenance of heritage cultures now receives less support while the promotion of other-group acceptance and tolerance receives more (Table 7). Indeed, there is reason to believe that the thrust of the policy is moving away from its earlier focus on heritage cultures and towards activities that clearly benefit all Canadians, although they are centred around the ethnic communities. Improved race relations and increased respect for human rights are examples. An examination of public-opinion polls suggests that most Canadians support the integrationist approach towards immigrants that is embodied in the multiculturalism policy.

Table 7

Multiculturalism Expenditures[1] under Three Federal Programs, 1984-85 to 1990-91

	Program[2]			
	Race relations	Heritage culture	Community participation	Total
		(Per cent)		($ millions)
1984-85	...	50	50	18.4
1985-86	...	46	54	16.1
1986-87	...	48	52	17.8
1987-88	...	40	60	19.6
1988-89	14	37	49	22.1
1989-90	24	37	38	27.1
1990-91	27	22	51	27.0

1 Figures exclude one-time payments of $12 million to the National Association of Japanese Canadians in 1988-89 and $24 million to the Canadian Race Relations Foundation in 1990-91.

2 Race relations includes the Race Relations and Cross-Cultural Understanding programs (established in 1988); Heritage culture includes the Heritage Cultures and Languages program, and the former Cultural Enrichment, Writing and Publications, Canadian Ethnic Studies, and Performing and Visual Arts programs; Community participation includes the Community Support and Participation program, and the former Group Development, Citizenship and Community Participation, and Intercultural Communications programs.

SOURCE Based on data from Multiculturalism and Citizenship Canada.

Quebec's cultural policies have also been changing. Multiculturalism has occasionally had a negative press in Quebec, because it appears to undermine Canada's historic cultural duality and because federal multicultural programs have not always respected Quebec's unique character as a Francophone society. Moreover, during the 1970s Quebec's Ministry of Immigration emphasized the adaptation of immigrants to French-Canadian society. Important changes took place in the early 1980s, with the adoption of a plan entitled *Autant de façons d'être québécois*, which stressed the need to maintain and develop the province's "cultural communities" and urged Francophone Quebecers to recognize their contribution to a common heritage. This intercultural orientation of Quebec's policy towards immigrants was further strengthened by the release of a White Paper entitled *Au Québec – Pour bâtir ensemble, Énoncé de politique en matière d'immigration et d'intégration* in December 1990. Hence, although there may be a public perception that Quebec's approach is assimilationist, our assessment is that it is integrationist.

However, because Quebec is preoccupied with the protection and affirmation of its cultural identity, it has been led to spell out cultural issues more clearly than other governments in Canada. The White Paper proposes that an explicit "moral contract" be concluded between immigrants and native-born Canadians. In such a contract, Quebec would declare itself to be a French-speaking, pluralist society, respectful of different cultures; hosts, like the immigrants, would subscribe to the Quebec Charter of Rights; and the expectation that both native-born and newcomers will contribute to building the Quebec of the future would be stated.

Recommendations

We began this Statement by observing that the fall in the Canadian birth rate has triggered much debate about the possibility of using immigration to maintain population growth. That implicitly makes two assumptions: we said 1) that population growth is desirable and 2) that immigration is a satisfactory substitute for natural increase as a source of such growth. In this final section, we draw upon our research results to make recommendations on these and other issues in immigration policy.

In our view, the policy regarding immigration should not be based on those two assumptions. Instead, it should be based on a direct assessment of whether the effects we can expect from immigration are desirable in their own right.

Immigration has four major effects: economic, political, social, and humanitarian. The economic and political effects are very similar to those one might expect from population growth occurring through natural increase. The other two are peculiar to immigration.

Detailed evidence on economic, political, and social effects has been presented above. We have also provided some limited information on the humanitarian effect, which is by and large self-evident but no less important than the others.

The Level of Immigration

Based on our assessment of all four effects combined, we now draw a conclusion about the appropriate level of immigration. This is necessarily a matter of judgment, because the effects are incommensurate: there is no simple way of adding the "apples" of economic effects to the "oranges" of social effects, for example. The problem is especially acute if some effects are good and some are bad. If, for example, the humanitarian effects are seen as good but the social effects as bad, how is one to make a decision?

No amount of research can resolve that conundrum, only a judgment call. Even if the effects are all good or all bad – leading logically to a recommendation that immigration be either increased or decreased, respectively – the question arises of how far to go. If the effects are all good, shall we open the doors totally? If they are all bad, shall we close them fast? Again, judgment is required.

After weighing all four effects of immigration along the lines explained below, we judge that immigration should be gradually increased. Accordingly,

1 We recommend that immigration be gradually increased above the average levels of the last 25 years, to reach 1 per cent of the population, on a gross basis, by the year 2015. These levels should be reviewed every five years, to verify that the integration of immigrants is being successfully managed.

Among the four factors, the social and humanitarian played a greater role in our decision on levels than did the economic or political.

While Canadians gain economically (in terms of per-capita income) from more immigration, the gain is so small that it did not weigh heavily in our recommendation. Nevertheless, nearly every immigrant more than pays for himself/herself in scale economies and in lighter future tax burdens. Refugee claimants who achieve immigrant status are a possible exception, because they cost more to process, but in their case humanitarian considerations also count relatively more.

A most important economic issue is whether immigration causes unemployment. Our research strongly suggests that it does not, and for this reason we were able to discount it as an important factor. There is an important caveat, however – namely, that very rapid increases in immigration might raise unemployment temporarily. That possible effect cannot be discounted, and it is one of two main reasons why we counsel that the increase in immigration be a very gradual one.

As the political effects of increased immigration proved to be quite minor, they did not, in the end, have much influence on our recommendation to raise immigration. Canada will not, as a result of any feasible level of immigration, grow enough in national size and economic power for that factor to be an important consideration, even if we were to assume that such growth is desirable. The regional distribution of population and power is also too insensitive to immigration for this consideration to matter much in deciding about immigration levels.

In contrast to both economic and political factors, we consider the social factors to be very important. Recall that an increase in immigration means an increase in the degree of ethnic and cultural diversity. Although there is little evidence one way or the other as to whether greater diversity is socially beneficial, we favour it ourselves. In our opinion, it will make Canada a more interesting and exciting society, and that is a substantial, nonmeasurable advantage. The associated increase in the proportion of visible minorities carries some risk of more social conflict, human nature being what it is. On balance, however, we do not think racial problems will grow much if immigration continues, or even if it is increased. We base that judgment on our research, which shows that the past growth in tolerance, as the proportion of visible minorities has increased, has not been a matter of luck but a consequence of the dynamics of human interactions, when policies are reasonably well designed. So, we are cautiously optimistic that the risk is acceptable, provided that 1) the increases in immigration are gradual and 2) the unemployment rate is not too high when the increases occur. Our research shows that it is more difficult to successfully integrate large numbers of newcomers without social friction, especially at times of high unemployment; that is a second major reason for counselling gradualism.

Finally, the humanitarian aspect has weighed quite heavily in our recommendation. It would be hard not to recommend an increase when immigrants can gain so much and when Canadians not only do not lose but actually make slight economic gains. We might have felt differently had we evaluated diversity less positively or had we turned up a significantly increased risk of social conflict in our research; as mentioned previously, neither is the case.

We also considered the question of whether the volume of immigration can be controlled at all. The pressure from refugee claimants is high and growing, and it is such that recommendations about levels could turn out to be purely academic. We faced this issue and resolutely set it aside. Our recommendations are made on the assumption that they can be implemented and that the government of Canada can control the total number of people entering the country and obtaining refugee status. We explained earlier why early action must be taken to control the number of refugee claimants entering the country and to reduce the backlog of undecided claims.

What does our recommendation on the level of immigration mean in terms of actual numbers of immigrants, now and in the future? Gross immigration in the past 25 years has averaged 0.63 per cent of the population (Chart 13). That is the benchmark from which our recommendation

proposes beginning a gradual expansion, aimed at reaching 1 per cent of the population by 2015. Starting in 1991, that means 168,000 immigrants in that year, building up year by year thereafter to 340,000 by 2015. In 1992, there would be 174,000 immigrants; in 1993, 180,000; and so on. In terms of percentages of the population, Chart 13 shows our proposal as the heavy dashed line.

The meaning of our proposal in terms of *net* immigration requires making some assumption about emigration during the years ahead. Based on the behaviour of emigration during the last two decades, a likely possibility is that it will be at about 0.15 per cent of the population. If that figure holds up in coming years, our recommendation is equivalent to net immigration of 0.48 per cent in 1991, rising gradually to 0.85 per cent by 2015. Over the period as a whole, this would increase the population growth rate by an average of about two thirds of 1 percentage point.

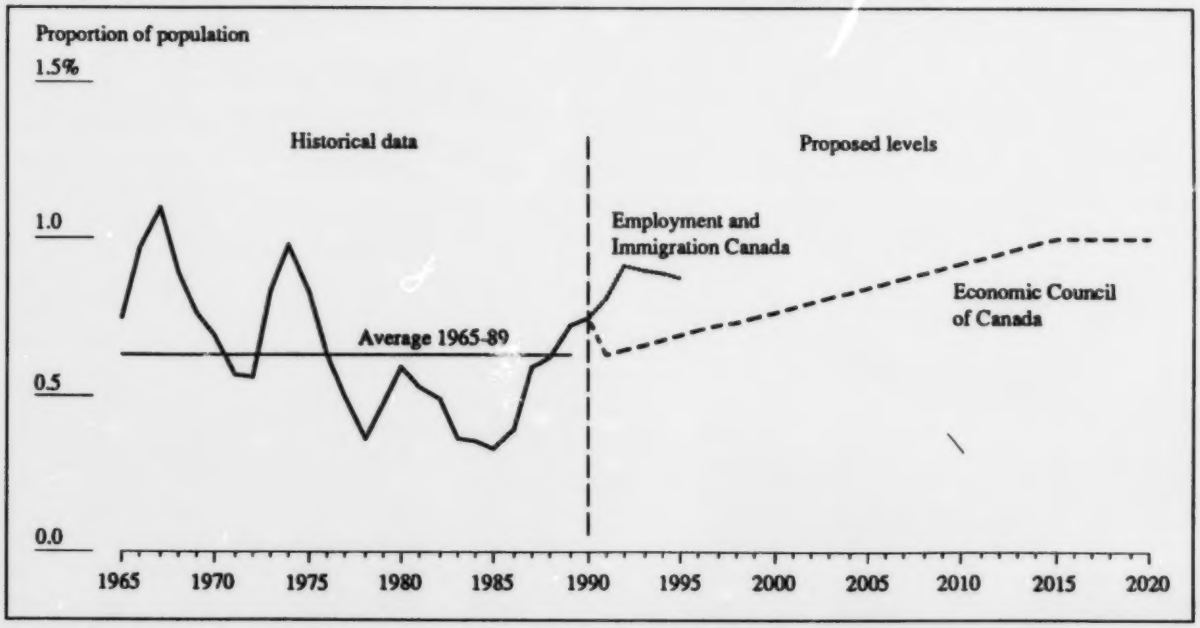
Our recommendation differs in certain respects from the proposal made recently by the federal government. In October 1990, the Minister of Employment and Immigration published an immigration plan for the period 1991-95. That plan is shown in Chart 13 as the dotted line. In effect, the Employment and Immigration Canada (EIC) plan extrapolates from the recent high rates of increase until 1992, and then levels off.

Our recommended levels begin from a somewhat lower point but continue climbing steadily to 2015. The government's intentions for the period beyond 1995 have not been stated. However, if its anticipated levels for that period remain in line with the 1995 level, they will be lower than those implied by our recommendation for the period from the middle of the next decade on.

We believe the EIC plan moves ahead too quickly. In our view, a longer-term perspective is appropriate, and that is why we began our projections from the average level of the last 25 years rather than from the level that happened to obtain last year. From both a medium-term and a long-term historical perspective, the 1990 level was relatively high. Moreover, immigration in the last five years (1986-90) has already risen sharply above the levels observed during the preceding decade (1976-85). Further increases of the magnitude contemplated in the EIC plan make the total increase over the 10-year period from 1985 very large. That runs the risk of provoking social problems, creating temporary increases in unemployment, and perhaps overstretching the capacity of the institutions that handle

Chart 13

Gross Immigration in Canada, 1965-89 (Historical Data) and 1990-2015 (Proposed Levels)



SOURCE Data from Statistics Canada and Employment and Immigration Canada, and estimates by the Economic Council.

the arrival and settlement of immigrants. Our research shows that a breathing space is needed. And while we believe that the risks are significantly lower with our proposal, we have also suggested that a review be conducted, every five years, of how successfully the integration of immigrants is being managed.

It is most important to stress that our ultimate goal is the same as the government's – to expand immigration. It is on the timing and speed of the increases that we differ.

While our proposals are less risky in terms of potential social frictions, the risk is not zero. Raising immigration increases diversity, as noted previously, and diversity at any level carries some risk of social conflict. To minimize that risk, we make two further recommendations – one regarding the policy of multiculturalism, and one regarding other policies on race relations.

Multiculturalism

We considered two alternative approaches on the part of host populations towards immigrants – integration and assimilation. Each gives rise to a different set of policies and programs. Integration leads to policies promoting full participation of the immigrant in the host society while maintaining his/her cultural identity. Assimilation, on the other hand, puts pressure on the immigrant to give up his/her cultural identity as the price for acceptance by the host society. As an approach to managing ethnic differences, integration fits the best theory. Multiculturalism – an integrationist approach – is the explicit policy of the federal government through Multiculturalism and Citizenship Canada. The government of Quebec is also moving towards an integrationist approach and away from what has been perceived by some as an assimilationist policy. The evidence suggests that these strategies have already registered some modest success in reducing the amount of intolerance in Canadian society.

Yet some Canadians resent or misunderstand the multiculturalist approach and the policies that flow from it. It seems to them that multiculturalism demands too much adjustment by Canadians and too little by immigrants. They believe that immigrants should take more responsibility for fitting into the host society. They do not question the immigrants' desire to retain their own culture but believe that those who choose Canada should make a more positive commitment to Canadian values. Some Council members share this belief. Members note that some Canadians are beginning to feel they are expected to be tolerant of immigrants' different ways, but that immigrants are not required, requested, or even expected to adjust to Canadian ways. It almost seems as if Canadianism is undervalued, as if we were not proud of what our society is and what it has to offer.

One way of responding to these signs of resentment would be to change the current policy and adopt an assimilationist approach towards immigrants. But even if an important segment of public opinion did favour such a change, it is far from certain that it would be in the best interests of the country as a whole. Resentment among native-born Canadians might disappear, but we would expect far greater resentment to be created among immigrants. Our research shows that enforced assimilation is likely to prevent the positive effects of contact with immigrants and of mutual accommodation from bearing fruit. If, as a result, it led to increased social friction, it would be hard to find net benefits from the change in policy.

The Council therefore believes that a modest adjustment to the current multiculturalist policy would pay handsome dividends. What is needed is a clearer indication that mutual obligations exist between immigrants and Canadians, with the emphasis on "mutual." Immigrants to Canada should expect, and should be expected, to subscribe to fundamental Canadian values, and to learn English or French. Moreover, they should learn about Canadian society and values before they decide to emigrate to this country. Canadians should know that all of this is expected of immigrants. And they should also, for their part, be ready to help immigrants to adjust, both individually and through their governments; they should accept willingly those cultural differences which do not conflict with fundamental Canadian values and provide the information that immigrants need to integrate successfully. Immigrants, in turn, should know that this is expected of Canadians.

One way in which knowledge of these mutual obligations might be more widely disseminated and reinforced would be by adopting the Quebec notion of a "moral contract" tailored to Canada's needs. Both immigrants and native-born Canadians would subscribe to such a contract on a voluntary basis. Immigrants would make a commitment, for example, to respect the Canadian Charter of Human Rights and to learn English or French. Native-born Canadians would make a commitment to respect the immigrants' culture and language and to help them in their social and economic integration. The majority of both groups may already have tacitly subscribed to such a contract. We believe, however, that its explicit formulation by national authorities, in consultation with immigrant groups, and its dissemination through public and educational channels, and through nongovernmental organizations, would increase understanding and mutual respect. Accordingly,

2 We recommend that a "moral contract" outlining the responsibilities of both hosts and immigrants be developed by the appropriate government agencies, in consultation with immigrant groups, and that its purpose and content be widely diffused. We further recommend that it be used in informing and counselling prospective immigrants before their arrival in Canada.

Combatting Prejudice

Our recommendation on immigration levels implies that the proportion of visible-minority members in the Canadian community will continue to increase. We have also noted that despite evidence of growth in tolerance recently among native-born Canadians, such an increase could lead to an increased frequency of racial problems. We think, therefore, that the multiculturalism method of managing diversity needs reinforcing by a major increase in efforts to combat prejudice. A comprehensive strategy is needed, involving action by both Canadians and the immigrants themselves.

3 We recommend that a major strategic initiative be taken to combat racism and foster tolerance. The strategy should be devised and implemented jointly by federal, provincial, and municipal authorities, along with the private sector, including both business and the trade unions, at the initiative of the Minister of Multiculturalism and Citizenship. As well, there should be strong backing for the Minister at the highest level – i.e., from the Prime Minister's Office.

Elements of the strategy that we are recommending should include at least:

i) Expansion in funding of the existing programs that fight prejudice at all levels, with the necessary money to be found by a combination of further diversion of funds from support of ethnic activities and a reordering of priorities from other government programs. In 1989/90, about $55 million was allocated federally to three programs – Employment Equity (Employment and Immigration Canada), Race Relations (Multiculturalism Canada), and the Human Rights Commission. Given that the number of visible-minority persons will rise rapidly, a doubling of this amount over the next decade would be appropriate. Similar proportional increases will be needed at other levels of government;

ii) Increased business, union, community, educational, and media involvement to extend their existing efforts to combat prejudice and promote integration;

iii) More obligation on the part of immigrants to learn English or French, since our research shows that this decreases hostility towards them;

iv) Information to defuse hosts' fears of unemployment and competition from immigrants – fears that our research shows to be unfounded;

v) The avoidance of sharp increases in immigrant inflow, which our results suggest are risky;

vi) Training of immigrants regarding cultural traditions that are inappropriate in Canada, especially with respect to gender equality and attitudes to authority figures such as police, social workers, and – in the eyes of many immigrants – public officials;

vii) Extensive race-relations training for police forces.

Information Needed to Promote Social Harmony

The task of fostering social harmony and managing conflict requires more than present efforts and the simple implementation of the two recommendations above. It also requires a quantum jump in the information available to policymakers. Our next two recommendations are therefore designed to fill two key statistical gaps

First, our social research indicated a lack of consistent historical information on the degree of social friction in Canadian society. Given that the growing proportion of ethnic minorities, especially visible minorities, will increase the risk of friction in the years ahead,

4 We recommend that more resources be devoted by Statistics Canada, in consultation with Multiculturalism and Citizenship Canada and other appropriate government departments, to the task of providing consistent measurement of social friction and its correlates. The choice of measurement methods should be made in consultation with academic faculties in the relevant disciplines.

In implementing Recommendation 4, we urge that the fear of being branded as racist not inhibit the collection of data essential to fight racism itself. It makes little sense, for example, to refuse to ask questions about a person's ethnic origin if that information is needed to develop a tolerance-fostering strategy.

Second, systematic, up-to-date information is lacking on the attitudes of both immigrants and Canadians towards each other and towards the policy of multiculturalism. Such information is very important for managing the integration process successfully and for achieving the optimal design and implementation of the moral contract that we are recommending. Therefore,

5 We recommend that Multiculturalism and Citizenship Canada implement its planned replication of the Berry, Kalin, and Taylor 1974 survey of Canadian attitudes to multiculturalism. This survey should be complemented by a survey of immigrant attitudes about native-born Canadians and about their level of satisfaction with life in Canada. Both surveys should be repeated at regular intervals to monitor changes over time.

Immigrant Qualifications

Social harmony also suffers if immigrants earn less than their qualifications and relevant experience warrant, for this creates resentment and increases the potential for conflict. In examining the economic performance of immigrants, we found some tentative evidence that immigrant qualifications might be undervalued. To be fair, the statistical tests do not permit a distinction between rejection of foreign qualifications based on prejudice or ignorance of their value and rejection based on an accurate assessment of foreign qualifications as genuinely inadequate. Nevertheless, to eliminate the problem of ignorance, if it exists,

6 We recommend that the provincial and federal governments increase their efforts at disseminating information on the degree of equivalence or otherwise of foreign credentials and that they enlist the support of professional associations in this endeavour.

We do not favour, at this point, the adoption of legislation requiring the recognition of credentials found to be equivalent, as we believe that any action in this regard should only be contemplated if a combination of voluntary efforts and the dissemination of information fail to achieve the desired goal

Language Training

With respect to language training for immigrants, we believe that male and female immigrants should have an equal opportunity to learn either of Canada's official languages. At the moment, it appears to be more difficult for immigrant women – many of whom do not intend to enter the labour force – to obtain language training. This may be due, in part, to insufficient variety and flexibility in the methods of training. If so, some experimentation may be necessary. However it is done, we firmly believe that men and women should have access on equal terms, independently of their labour market intentions. Therefore,

7 We recommend that men and women immigrants have equal access to language training.

Our second recommendation pertaining to language training relates to its cost. The economic benefits to the host community from immigration are small, and they are reduced even further by the public funding of language training. Publicly funded training has been increasingly provided in recent years. It is true that there are social benefits to the host society if immigrants learn English or French, and those benefits justify some subsidization of language training. That is especially the case for many female immigrants. At the same time, there is often an economic benefit to the immigrants themselves from the learning of English or French. It is not reasonable to expect this to be fully subsidized. Possible models are the financing of postsecondary education under the Canada Student Loan program, and the repayment of the costs of transportation to Canada by certain groups of immigrants. Language training for immigrants should be partially subsidized – and fully subsidized in especially deserving cases – but there should be an expectation that the recipient will pay part of the cost. However, care must be taken to ensure that the administration of the program leads to net cost recovery. Accordingly,

8 We recommend that language training normally be partly charged for, but with a generous system of loans, subsidies, and exemptions in cases where the training is particularly beneficial to the host community rather than to the immigrant himself/herself, or in cases where cash payment by the immigrant or the repayment of loans taken in order to make cash payment would impose undue economic hardship. As in the case of Canada student loans, payment can be made retroactively after the immigrant has acquired a stable job.

Some Council members have reservations about this recommendation, on the grounds that it may result in a higher proportion of immigrants choosing to learn English in Quebec than under the present system. The obvious remedy is to subsidize immigrants in Quebec who choose to learn French more than those who choose to learn English. We suggest a differential subsidy tentatively, without making it a formal recommendation. One problem is the tricky – and evolving – question of the division of responsibilities between the federal government and the provinces in language matters. Another concerns the Charter of Rights and Freedoms: if our recommendation is accepted, Employment and Immigration Canada should enquire whether differential subsidization of language training in English and French is consistent with the Charter. If it is not, other methods should be explored to avoid any differential impact when applying the cost-recovery principle to language training.

Immigrant Classes

Immigrants can be classified into five categories: family class, refugees, independents, assisted relatives, and business class. The last two are usually considered as part of the independent class. Within the category of refugee immigrants, there are those who are selected abroad and those who are self-selected by virtue of having come to Canada and successfully claimed refugee status. Within the business class, there are entrepreneurs, self-employed, and investors.

From the economic point of view, our research has not documented any differences in the economic gain to Canadians from different classes of immigrant, with one exception. The exception is the self-selected refugee immigrants – the only case where the economic costs seem likely to outweigh the economic benefits.

It is often thought that immigrants in the independent class yield a greater economic gain to Canadians than those in the family class. That may be so, but we have not been able to test the validity or quantitative importance of this belief. If it were to prove grounded in fact, most of the benefit would take the form of a further reduction in the future tax burden of dependency, from the presumption that independent immigrants pay more taxes. (There are possible minor benefits, to be discussed later on, from the investor category within the independent class.) Furthermore, there do not appear to be any data that would enable us to test whether independent immigrants actually pay more taxes. We do not know, for example, for any year after 1982, whether independent immigrants earn more on average after their arrival in Canada than do family-class immigrants. This is just one of many elements of information that are essential for assessing whether the acceptance of proportionately more independent immigrants would raise our earlier estimates of the very small economic benefits accruing to Canadians from immigration.

What does seem clear from our research is that any extra economic gains from increasing the relative proportion of independent immigrants could only be tiny. Scale economies are one source of economic gain from immigration in general, but the gains are very small, and almost invariant to the distribution of immigrants among classes. Gains from the effect of immigration in reducing the tax dependency burden are also very small, and any change from increasing the proportion of independent immigrants is most unlikely to make them significantly bigger. Thus it would be quite unreasonable to suppose that increasing the proportion of independent immigrants could alter our earlier conclusion that the economic benefits of immigration to Canadians are minimal.

Matters are different when we look at immigration from the social point of view. There is a strong case, in light of our research findings, for favouring two of the classes over the others. These are the two classes to whom the point system is applied most rigorously – i.e., independent immigrants and assisted relatives.

The decline in prejudice in Canada during the last few years seems to be attributable, at least in part, to the effects of intergroup contact. The conditions specified as necessary by the contact hypothesis will be met more often when immigrants are comparable in socio-economic status to the host community and when stereotyping is avoided. The point system is designed to achieve those ends, especially when coupled with the judgment of experienced immigration officers. The system stresses factors such as language, education, and adaptability.

Thus social criteria, considered alone, would lead us to favour independent immigrants and assisted relatives over other groups. Less preferred groups from this point of view would be: the family class; the business class, because those entering under it are subject to much-reduced point requirements as compared with other independents; and self-selected refugees. Refugees selected abroad, however, might also be desirable in terms of social criteria, in that they are rather carefully selected through a process that may produce results similar to those achieved under the point system.

However, we have stressed that four criteria need to be used in deciding about immigration policy: economic, social, political, and humanitarian. While political criteria do not seem to be any more relevant here than economic, humanitarian criteria do matter. Taking the humanitarian aspect into account almost reverses, in fact, the preference ordering among immigrant classes that social criteria give us. It leads to favouring refugees and the family class the most, and the independent and business classes the least, with the assisted relatives in between.

The contrary dictates of the social and humanitarian criteria lead to what sounds at first like a bromide: that some kind of "appropriate balance" should be kept among all classes. They also suggest the need to reconsider the existence of the business class (see the next section). While this may appear to be a rather trite proposal, it is strengthened by our view of past experience. Tolerance has grown in Canada over the past decade. This suggests that the average distribution obtaining during the past 10 years is a useful guide for the future. The only reservation we would make is that a rapid clearing of the backlog of refugee claimants, which we strongly favour, may require some temporary violation of this principle. That being understood,

9 We recommend that the balance among immigrant classes be kept close to the average values obtaining in the last 10 years.

Data on the distribution by immigrant class are readily available for the three major classes (family, refugees, and independents). From 1980 to 1989, 39 per cent of immigrants were of the family class, 18 per cent were refugees, and 43 per cent were independents. The Minister's plan calls for these figures from 1991 to 1995 to average 37 per cent, 22 per cent, and 41 per cent, respectively. Given that we, like the Minister, wish to accelerate the process of clearing the refugee-claimant backlog, we find this planned distribution to be quite acceptable. It is well in the spirit of our recommendation, which of course applies to our own, much longer time horizon – to 2015.

The Point Selection System

By and large, we consider the current point selection system good. It helps to maintain a well-balanced intake from the social point of view, and it provides a leavening of adaptable, mobile immigrants. We have only two reservations about it, as a result of our research. One concerns the degree of preference given to business-class immigrants; the other, the weighting given to various occupations.

Business-class immigrants are subject to less stringent point requirements than other independent immigrants. The question arises whether such discrimination can be justified. We doubt it.

There are three subcategories in the business class: investors, entrepreneurs, and self-employed. We noted earlier that the benefits from having a special category for the investor-class immigrants are not obvious, and we explained why in detail. A major reason is that investors retain title to their investment and obtain its yield, not the hosts.

Nevertheless, we acknowledge that when there are occasional pockets of capital shortage, they might be overcome by careful use of the immigrant-investor program. The prospect of the availability of a visa to Canada might make the funding of such projects attractive to potential immigrant investors, and there would then be some small benefit to the host society. We are not certain, however, that the present administration of the class is restricted to cases that meet the rigorous criteria, detailed earlier, that need to be met in order for benefits to the host community to be achieved. Some cases may amount only to queue-jumping by rich immigrants, which would be discriminatory and distasteful. Accordingly,

10 We recommend that the operation of the investor class of immigrants be carefully monitored over the next few years, to determine whether it induces investment to occur in worthwhile projects that would not otherwise find funding and whether it creates a net benefit to the host society, as measured by the return on the investment.

Entrepreneurs and the self-employed are the other business-class immigrants. There is no general shortage of Canadian entrepreneurs and self-employed persons that would justify giving them special entry privileges ahead of other independents. Consideration should therefore be given to exercising tighter control over these categories, or even to abandoning them. We do not wish to discriminate against business-class immigrants – we are quite emphatic about that. But we urge that they be treated in the same way as independent immigrants unless special advantages from not doing so can be solidly demonstrated.

One other aspect of the selection system warrants discussion in light of our research results. It is usually impossible in the present state of the art of economic forecasting to determine reliably enough for immigration policy which occupations are in shortage. Moreover, the net economic gains from using immigration to combat shortages, even when forecasting can successfully be done, are minuscule when care is taken to consider not only the advantages to employers and consumers, but also the disadvantages to workers in the particular occupations overrepresented in terms of immigrant intake. The exceptions to these generalizations are rare enough that it would be a mistake to make systematic use in the selection process of procedures based on the putative *economic* advantages of particular occupations. We were thus very happy to see, in the five-year immigration plan announced in October 1990, that a partial recognition of this concern is now emerging. The government announced plans to eliminate the distinction between open and closed occupations, with "rare exceptions."

The new policy may not go quite far enough. It is still planned to give priority to certain occupations if they are identified as being in shortage by "consultation with the provinces and the private sector." We see a place for this, but it should be an exceptional place, when a shortage is so obvious – and the benefits from overcoming it so great – that no one can doubt the merits of using immigration for that purpose. We caution that this system of giving a point preference to certain occupations should not be over-used.

Occupation does matter in selection, but our results suggest that it matters more for social reasons than for economic ones. A balance across occupations is needed to avoid stereotyping and to maximize the chance of

integrating immigrants without social conflict. The risk of social conflict will be reduced if interactions between native-born Canadians and immigrants of the same occupational status are as widespread as possible. Consequently,

11 We recommend that in determining the points allotted for occupation or whether points should be allotted at all, greater importance be given than at present to the need to obtain a balanced intake across all occupational groups.

The Location of Immigrants

As we proceeded with our work, many people expressed concern that immigrants go disproportionately to certain provinces – especially Ontario and British Columbia – and to metropolitan centres. Our data suggest that this may not be as serious a problem as is sometimes thought. We did not find that the distribution of the population among the provinces was very sensitive to varying immigration scenarios. The relative size of Toronto, Vancouver, and Montreal was more sensitive, but not dramatically so. Moreover, our research reveals no particular economic advantage from having immigrants more dispersed rather than less. While the research on the social side does suggest that some benefits might accrue from more widespread dispersal, it does not show any evidence of costs associated with the current patterns of settlement. Since immigrant adaptation is facilitated by the presence of an established community of the same ethnic origin, we do not feel a recommendation to change the overall regional distribution of immigrants would be justified at this point. However, particular incentives – such as those sometimes provided to medical personnel to go to remote areas – are acceptable in special cases. Another solution would be to widen the possibility of community sponsorship of refugees to immigrants in general. That would be a particularly appropriate option for remote communities, which may not appeal to immigrants because they do not offer support groups of their ethnic origin. Those points made, we make no general recommendation regarding location of immigrants, and do not feel that one is necessary.

Conclusion

Immigration offers a rare chance for a policy change where everyone can gain. Those already here gain a little more real income, a more excitingly diverse society, and the satisfaction of opening up to others the great opportunities that living in Canada gives. Among those who come, some gain safety from persecution, some gain freedom from want, some gain a secure future for their children, and nearly all become economically better off.

At the same time, we must be careful. Canadians have no special exemption from the virus of prejudice and intolerance. Infection can be conquered, if we work at it and, above all, if we are generous about raising immigration but miserly about how quickly we do it. Cautious expansion should be our watchword.

Comment

Dian Cohen

The Statement is very sceptical as to whether the host population can benefit from capital brought into Canada and invested by business-class immigrants under the Immigrant Investor Program. The text (p. 9) stresses that the investor-class immigrants retain their title to both the principal and the yield on it, so that hosts receive no direct benefit. It goes on to suggest (p. 10) that although hosts could receive indirect benefits if such investors were able to compensate for failures in capital markets, the circumstances under which government programs would be able to direct them to do so are extremely constraining. The Statement concludes on this question (p. 40) that there are doubts whether the present discrimination in favour of business-class immigrants (entrepreneurs, investors, and self-employed) should be maintained and recommends "that the operation of the investor class be carefully monitored over the next few years, to determine whether it induces investment to occur in worthwhile projects that would not otherwise find funding and whether it creates a net benefit to the host society, as measured by the return on the investment."

As the Chairman of the Minister's Advisory Committee on the Immigrant Investor Program, I must point out that there is no empirical evidence to lead to such a limiting view of this recently introduced program. The Advisory Committee has not yet reported to the Minister. Until then, I cannot conclude either that failures in capital markets are rare or that the program is unlikely to be able to compensate for them efficiently. I do, however, agree with the recommendation that it be closely monitored.

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